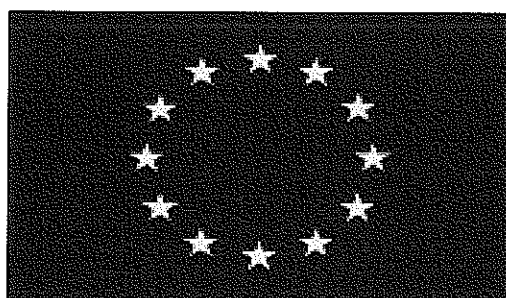
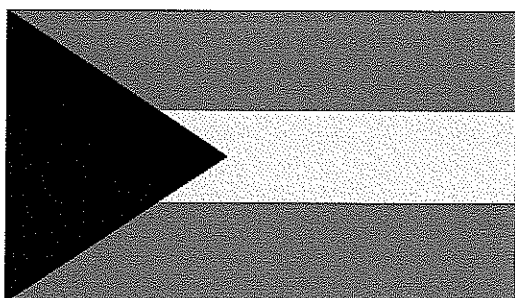


THE COMMONWEALTH OF THE BAHAMAS

EUROPEAN COMMUNITY



**Country Strategy Paper
and
National Indicative Programme
for the period 2008 - 2013**

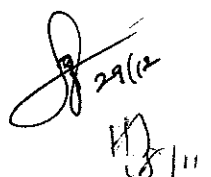
The Government of the Commonwealth of The Bahamas and the European Commission hereby agree as follows:

- (1) The Government of The Bahamas, (represented by the National Authorizing Officer in the person of the Hon. Honorable Zhivargo S. Laing, Minister of State for Finance, and formerly by the Hon. Fred Mitchell, Minister of Foreign Affairs,) and the European Commission, (represented by the Head of the European Commission Delegation Marco Mazzocchi Alemanni,) hereinafter referred to as the Parties, held discussions in The Bahamas from July 2006 to April 2008 with a view to determining the general orientations for cooperation for the period 2008–2013.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid in favour of the Bahamas were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 and revised in Luxemburg on 25 June 2005. These discussions complete the programming process in the Bahamas.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community proposes to make available to the Bahamas for the period 2008-2013, an amount of € 4 700 000 is envisaged for the allocation referred to in Article 3.2 (a) of Annex IV to the ACP-EC Partnership Agreement (A allocation) and of € 300 000 for the allocation referred to in Article 3.2 (b) (B allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV to the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover programmes and projects in support of the focal or non-focal areas of Community assistance. The Indicative Programme under Part 2 concerns the resources of the A allocation. It also takes into consideration financing from which the Bahamas benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10th EDF multi-annual financial framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of the Bahamas within the limits of the A and B allocations referred to in this document. Financing decisions can also be taken on the basis of Article 72(6) of the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded

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from the B-allocation. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10th EDF and on the financial regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.

(6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Paragraphs 2(c) and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008-2013.

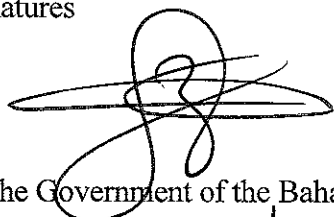
(7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall undertake an annual operational review of the Indicative Programme as well as a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance.

The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in the light of current needs and performance.

Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased in accordance with Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.

(8) The agreement of the Parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF multi-annual financial framework for the period 2008-2013, will be regarded as definitive within eight weeks of the date of signature, unless either party communicates the contrary before the end of this period.

Signatures



For the Government of the Bahamas.

29/12/08

For the Commission

Helen Jenkinson
HELEN JENKINSON
CHARGÉ D'AFFAIRES

or. 1.

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SUMMARY

This Country Strategy Paper (CSP) presents the framework which will govern EU cooperation with The Commonwealth of The Bahamas for the period 2008-2013.

The Bahamas comprises 700 islands and about 1 000 cays, of which only 30 are inhabited. Its population of 306 000 people (2007) is essentially of African (85%) and European (12%) origin. More than three quarters of the total population are concentrated on only two islands: Grand Bahama and New Providence (with the capital Nassau), the latter containing two thirds of the whole population. The other main islands - the Outer or Family Islands - have small populations, basic infrastructure and a much lower standard of living; there is a strong migration movement from the Family Islands to New Providence and Grand Bahama. The annual growth rate of the population is 0.6%. The Bahamas rank 52 on the Human Development Index (2006); average life expectancy is 67.5 years. GDP per capita is high: \$18,932 (2006) (€ 12 150¹).

There is a significant amount of poverty in the more remote south-easterly islands of the Bahamas, which was first revealed in the results of the 2001 Living Conditions Survey. A considerable amount of infrastructure development is therefore required, to boost trade and economic growth and ultimately eradicate poverty.

The aim of the Response Strategy continues to be, as in previous years, to reduce regional socio-economic imbalances in the Bahamas. This should entail greater capacity-building in infrastructure development on the south-easterly islands of the Bahamas, bringing them to the level of New Providence, Grand Bahama, Abaco and the other more developed islands. The thrust of the strategy is to achieve sustainable economic growth and stability and continuous improvements in living conditions.

The activities funded by the 10th EDF should focus on the infrastructure sector. Providing adequate physical infrastructure is considered to be a critical requirement for continued growth and competitiveness, particularly in the tourism industry. This is also relevant for the Bahamas' economic relations with the EU and could be part of a regional effort to promote services trade. It is clear that the need for adequate infrastructure is greatest in the Family Islands. A review of the previous activities funded by the 7th, 8th and 9th EDF shows that they are all related to infrastructure projects: this is an area in which the Government of The Bahamas has constant need of aid and is one of the areas in which the EC has a comparative advantage as a donor.

The focal area of the EC Support Strategy for the Bahamas will be **Capacity Development for the Family Islands**. The aim is to increase capacity to: 1) improve local infrastructure and ensure better maintenance; and 2) increase Family island participation, development and production in the areas of goods and services.

The indicative programme of € 4 700 000 is broken down as follows:

¹ Rate of exchange 1 USD = € 0.641784 on 25 March 2008

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Focal Area Envelope A 90% or € 4 230 000
Non-Focal Area 10% or € 470 000

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PART I
STRATEGY PAPER

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CHAPTER I: FRAMEWORK OF RELATIONS BETWEEN THE EU AND THE BAHAMAS

1.1 General objectives of the EU's external policy

In accordance with Article 177 of the Treaty establishing the European Community, Community policy in the sphere of development cooperation is designed to foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy;
- the campaign against poverty in the developing countries.

Europe should project a coherent role as a **global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security.

The European Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc.).

EU external action, including the common foreign and security policy, common trade policy and cooperation with third countries, provides a framework both for integrating all EU instruments and for developing gradually a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has given the EU even greater responsibilities as a regional leader and global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies, which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, thereby contributing to global security and prosperity.

1.2 Strategic objectives of cooperation with the Bahamas

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and the Bahamas will pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element defined in Articles 9 and 11b of the Agreement.

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While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. For the Caribbean, the EU policy is set out in the Communication on an EU-Caribbean Partnership for Growth, Stability and Development (2006). The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, with particular reference to the Millennium Development Goals (MDGs), as well as the promotion of Human rights and good governance. Better aid effectiveness is essential to achieving poverty eradication. Therefore, the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner country strategies and processes, common implementation mechanisms, joint donor-wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and will capitalise on new Member States' experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The aim is for all EU non-aid policies to make a positive contribution to developing countries' efforts to attain the MDGs. The principle of concentration will guide the Community's country and regional programming. This means selecting a limited number of priority areas for action, through dialogue with partner countries, rather than spreading efforts over too many sectors. In this context, the Community will be primarily active in the following nine areas, taking into account its comparative advantage in a number of them: trade and regional integration; the environment and sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; and social cohesion and employment.

The Community pays particular attention to the promotion of good governance in the tax, financial and judicial areas, as a means to contribute to sustainable financial and tax systems in a globalised economy.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

1.3 Main bilateral agreements

The Bahamas has been a signatory to the African, Caribbean and Pacific (ACP) – European Union (EU) partnership agreements for over thirty years, beginning in 1975 with the first of four Lomé Conventions and continuing with the twenty-year Cotonou Agreement signed in June 2000.

The Cotonou Agreement signalled a new era of partnership and political and economic cooperation between the (then) fifteen EU Member States and 77 ACP countries. It promotes sustainable development and poverty reduction, and forms the basis of EU - Bahamas cooperation.

Successive six-year National Indicative Programmes (NIP), funded under the European Development Fund (EDF) and embracing a number of key projects in areas essential to the country's human and economic development, constitute the bulk of EU assistance to the Bahamas.

The EU and the African, Caribbean and Pacific countries (ACP) have been working to put in place new **Economic Partnership Agreements (EPAs)** by the start of 2008. The EPAs aim at progressively and asymmetrically removing barriers to trade and enhancing cooperation in all areas related to trade. They are also aimed at providing an open, transparent and predictable framework for goods and services to circulate freely, as well as to promote incoming investment, thus increasing the competitiveness of the ACP.

On 16 December 2007, the European Commission initialled a comprehensive EPA with the Bahamas and the other CARIFORUM countries (CARICOM plus the Dominican Republic) covering all areas under negotiation.

The general approach is to build on and reinforce regional integration in the Caribbean (market building) and, in subsequent market opening, to use asymmetric flexibility for the benefit of the Caribbean in terms of product coverage and periods for tariff elimination, thereby helping to promote sustained wealth creation and development.

CHAPTER II: COUNTRY DIAGNOSIS

2.1. Political, economic, social and environmental situation in the Bahamas

2.1.1 Political and institutional situation

The Commonwealth of The Bahamas has a parliamentary system of government based on the Westminster model. The Governor-General is the head of state, and represents the Queen of the United Kingdom. Government encompasses a lower and upper chamber. The House of Assembly, normally referred to as the lower house, is composed of forty one (41) elected officers, while the upper house of the Senate has some sixteen (16) members who are appointed by the Governor-General. Nine senators are selected on the advice of the Prime Minister, four on the advice of the Leader of the Opposition, and three on the advice of the Prime Minister after consultation with the Leader of the Opposition. The party which polls the majority of seats during the general election forms the Government.

Politics in the Bahamas is basically a **two-party system**. While there are other political parties, two parties dominate politics in the country. **The Free National Movement (FNM)** is a socially liberal and economically conservative political party in the Bahamas. It is currently the ruling party, winning 23 of the 41 seats in the Bahamas House of Assembly on 2 May 2007. The FNM, led by the Rt. Hon. Hubert Ingraham, won 49.86% of the vote compared with 47.02% by the Progressive Liberal Party. In 2002, the FNM won only 41.1% of the vote when it was led by Tommy Turnquest. Mr Ingraham is now the Prime Minister of the Commonwealth of The Bahamas. The opposition is represented by the **Progressive Liberal Party (PLP)**, which is a populist, liberal party. Perry Christie is the leader of the party and Leader of the Opposition. Mr Christie was Prime Minister of the Bahamas between 2 May

2002 and 2 May 2007 when he was defeated by the rival Free National Movement, which won 23 seats. In terms of policies both the PLP and FNM are centrist parties and have a track record of following a policy of private sector lead development.

Private Sector Development: The Government has announced a strategy of diversification in economic activity through its anchor property initiative (i.e. each major island would have major resort development). At the same time renewed focus has been placed on small business development through programmes such as a Government-sponsored venture capital initiative.

Public Sector Reform: Since 2002 the Government has entered into industrial agreements with all of the public service unions. This is significant as it marks the first time in history that public sector unions have completed industrial agreements. These industrial agreements have allowed the Government to move forward with other reform initiatives including a comprehensive public sector structure and compensation system.

Social Sector: The publication of the 2001 Living Conditions Report provided for the first time statistical data on the pockets of poverty that exist in New Providence and the Family Islands. The report indicated that the poor were less likely to send their children to pre-school, were predominantly migrants and were more likely to be found in the southern Bahamas, although the highest concentration was in New Providence. As a result of this study a number of initiatives including universal pre-school education were either initiated or intensified.

Infrastructure: As part of the Government's Digital Agenda, The Bahamas Telecommunications Company (the state-owned incumbent telecommunications provider) has significantly upgraded its infrastructure and recently completed its linking of the entire archipelago with a fibre optic self-healing ring. In addition, since 1996 with the introduction of competition in data and wireless services, BTC has introduced an expanded range of modern products and services, including the Blackberry, VOIP services and DSL. Progress has been made with respect to the port and airport upgrades in both New Providence and the Family Islands.

Environment and Natural Resources Management: This has been one of the most challenging areas for the Government and resources have been devoted to preparing land use plans for all major islands as a precursor to Anchor Project approval for those islands where no comprehensive plan existed. In addition, policy dictates that all projects must undergo a comprehensive EIA and the Government's environment agency (the BEST Commission) is heavily involved in project monitoring.

Human Rights: The Bahamas is a Westminster style democracy with a well functioning Parliament. The Bahamas has not ratified a number of major human rights conventions. The country maintains the death penalty but no executions have taken place recently. Human Rights are generally well respected in the Bahamas. There is full freedom of speech and media, an independent judiciary and Rule of Law prevails. However, concerns have been voiced with respect to detention conditions, violence (women, children) and discrimination (Haitians).

Local Government was introduced in 1996. The Family Islands were divided into 23 local government districts responsible for a broad range of provision of services. They have, however, no right of revenue collection.

2.1.2 Economic and commercial situation

The Bahamas is a stable, developing nation with an economy heavily dependent on tourism and offshore banking. All in all, except for mild recession attributed to the September 11 crisis, the Bahamian economy has seen steady growth for most of the 1990s and 2000s. A boom in the construction of new hotels, resorts, timeshares and low to higher end income residence, has led to solid GDP growth over the last few years.

The Bahamian economy expanded in 2006 with real GDP growth of 4.0%. Growth was mainly generated from heightened construction activity and consumer demand, largely due to ongoing resort developments and increased residential investments. The IMF has forecasted that the Bahamian economy will grow by 4.5% in real terms in 2007, supported by a rise in tourism-related foreign investment activities and continued expansion in the construction sector.

The **tourism sector** accounts for about 40% of total economic activity according to the 2005 Tourism Satellite Accounts, which were prepared by the research firm Global Insights with assistance from the Department of Statistics and the Ministry of Tourism. The Bahamas is highly dependent on tourism, making it vulnerable to shocks in that industry. Furthermore, the Bahamas is dependent on a single market – over 80% of its tourists come from the United States. Uncertainty remains over the impact of the Western Hemisphere Travel Initiative (WHTI) on visitors from the US market. The location of the islands also makes the Bahamas vulnerable to natural disasters in the form of hurricanes. However, with the exception of Grand Bahama, the island most severely hit by recent hurricanes, tourism is expected to continue to expand, in the medium and long term.

The **financial services sector**, including ancillary real estate activity, contributes over 20% to GDP. The Bahamas is committed to implementing the OECD principles on transparency and effective exchange of information for tax purposes of 15 March 2002 on the basis of a global level playing field. In this regard and when developing offshore activities, the Bahamas is encouraged by the Commission to further comply with the internationally recognised principles of good financial, tax and judicial governance.

In addition to tourism and banking, the Government supports the development of a third pillar (e-commerce). Bank credit to the household sector is expected to pick up in response to rising employment and household incomes.

The agriculture and fisheries industries together account for 5% of GDP. The Bahamas exports lobster and some fish but aquaculture farming does not take place on a commercial scale. There is no large-scale agriculture, and most agricultural products produced locally are consumed domestically.

The country's small size and its location make it vulnerable to external shocks - both economic and natural. The small size of the Bahamas prevents it from achieving economies of scale in many areas. Similarly, the small size of the population, combined with geographic fragmentation, raises the unit cost of infrastructure provision, particularly in the Family Islands.

The Bahamas has built up a good track record of macroeconomic stability anchored by fiscal discipline and a one-to-one currency peg with the United States dollar. It experienced a reduction in

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the overall deficit during the first half of the FY 2006/2007. The goal of the Government is to reduce the ratio of government debt to GDP to within the range of 30-35% by 2012/13 from a present level of 38%. There is a need to broaden the scope of debt management to include government guaranteed debt. The Government is seeking to fund a major expansion of the Nassau International Airport through a Build Operate /Transfer (BOT) contract that would avoid government guarantees as well as direct budgetary support. Consideration is still being given to privatisation of the state airline and the selling of the telephone company. There is also the ongoing effort of the Government to promote diversification of the economy. The objective is to reduce the high degree of dependency on the tourism sector.

The Government is not yet committed to the idea of tax reform, but has acknowledged that the tax base is heavily dependent on trade tax and that accession to the WTO would require lower tariffs that will significantly reduce tax receipts. Tax reform as a mechanism to improve not just the fiscal situation but the incentives for small and medium enterprises continues to be on the agenda of the Government. The Government takes the view that tax reform is a medium to long-term priority that has to start with strengthening the present situation of revenue enforcement. Significant investment has been made to strengthen customs administration, which accounts for 60% of total revenue, as well as the other revenue areas such as real property tax. These efforts have proved to be very successful with year over year increases of at least 7% since 2002 without any increase in the average tax rate. While it is acknowledged that some of this increase is due to rising commodity prices (primarily fuel) and an accompanying increase in yield through ad valorem customs duties, a substantial part of this increase is due to improved revenue compliance.

The country's **infrastructure** is best developed in the principal cities of Nassau and Freeport, where there are good paved roads and international airports. Electricity is generally reliable, although many businesses have their own backup generators. In Nassau, there are two daily newspapers, three weeklies, and several international newspapers available for sale. There are also five radio stations. Both Nassau and Freeport have a television station. Cable TV is available locally and provides most American programmes with some Canadian and European channels.

This steady economic activity has also positively affected the country's external position. Although high foreign direct investment through an increase in imports has led to a current account deficit of about 12-15% of GDP, strong inflows of foreign direct investment have more than offset these deficits and resulted in a healthy reserve position. Both Moody's and Standard & Poor have indicated that the Bahamas' foreign currency debt is investment grade with A3 and A- ratings constituting the highest combined rating in the Latin American and Caribbean region for a country that does not have a high concentration of minerals or oil.

The importance of tourism to Bahamian economic development is expected to continue over the long term, with foreign direct investment expected to rise significantly in the medium term. The majority of this investment would be used to increase the inventory of hotel rooms, which has not grown significantly since the mid-1990s. However, a portion would go into marina development as investors seek to take advantage of the Bahamas' proximity to the United States and the dearth of marina slots in South Florida. The level of FDI has also spurred the construction and associate sectors, which have grown in importance through this building boom.

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To sustain the level of investment the Government, through its state-owned entities, has developed a complementary public investment strategy. The Airport Authority is expected to enter into a 10-year management and development contract with YVRAS, the airport operating company affiliated with the Vancouver airport operators, to manage and develop the former Nassau International Airport, now known as the Lynden Pindling International Airport. The size of this project is expected to be about \$400 million (€ 256 500 000) and would be financed by airport user fees.

Bahamas Telecommunication Company, the state-owned monopoly telecommunication provider, is expanding its product line to include the transmission of data (e.g. Blackberry), improving its cellular platform (GSM over the entire archipelago) and connecting the entire Bahamas through fibre optic lines. The cost of these upgrades is in the \$150-\$200 million (€ 96 300 000 - € 128 000 000) range. The Bahamas Electricity Corporation, although adversely affected by high oil prices, has planned significant upgrades in its infrastructure to keep pace with the planned increase in tourism. The state-owned water company, the Water and Sewerage Corporation, is expanding its water production capabilities through the use of 'Build, Own, Operate and Transfer' (BOOT) arrangements with private sector developers. In all of these cases the planned investment covers the entire Bahamas, not just the historical centres of economic activity in the northern Bahamas.

Sustaining sufficient private sector investment is essential to sustainable growth in the Bahamas and this will depend in part on continued improvements in the environment for business and the maintenance of competitiveness. Overall governance, including adherence to the rule of law, government predictability and credibility, is strong². Nevertheless, the Government intends to continue to pay attention to the regulatory environment, particularly with a view to simplifying it and reducing "red tape" to improve the enabling environment for business and contribute to competitiveness. In 1999 the Government established a new regulatory agency, the Public Utilities Commission (PUC), with power to determine standards of services and tariffs to be levied. As the privatisation of public utilities gains momentum, the Government will need to keep reviewing the adequacy of the oversight regulation and competitiveness in those services.

2.1.3 Social situation

The Government of The Bahamas has also recognised that some members of society, whether in New Providence or any other Family Islands, will require some kind of welfare assistance. This assistance could be in the area of housing, finance, health, education or any aspect of social services, to enable them to provide for themselves and their families.

In anticipation of pushing some of its programmes forward, the Government of The Bahamas, through Social Services and in consultation with the IDB, appointed a multi-agency Task Force to undertake an analysis of the **Social Safety Net Assessment Study**. The Task Force was given a mandate to analyse the results of the study and to propose a vision for social assistance in the Bahamas and make recommendations for changes. The Task Force report is currently being drawn up.

Social Services have commenced a National Parenting Programme in collaboration with the Ministries of Social Services and Community Development, Education, Health and Youth, Sport and Culture. Social Services has also teamed up with several churches for the provision of residential care

² IDB Country Strategy with the Commonwealth of the Bahamas (2003-2007), p. 5.

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to children and therefore continues to be a focus of the Community Affairs Division, as Family Life Centre continues to operate after-school programmes for senior citizens. There is also the National Council of Older Persons, which lobbies for services on behalf of older persons, and they have been successful. One of their goals was to petition the Government to increase the pension for retired civil servants. One challenge now is the fact that persons are living longer, which means that there should be sufficient means to maintain an acceptable standard of living. Additionally, a workshop was organised for persons from selected areas designed to build self esteem and pride while enhancing employment skills. There continues to be a great demand for social services from all sectors in all the islands of the Bahamas. Efforts to upgrade the level of coverage to the Family Islands are ongoing.

The two main programmes of the Social Safety Net (SSN) are the National School Lunch Programme (NSLP) and the Food Stamp Programme (FSP). The NSLP covers all public primary and secondary schools and provides a free lunch five times a week to eligible students. Eligibility is based on recommendations from school administrators. The FSP provides a monthly benefit of up to US\$80 for a family of four children and has around 2 500 beneficiaries. Eligibility is determined by social workers. The current system of distribution and management is not computerised and is thus very labour-intensive. In addition to these, there are a host of other programmes that provide one-off benefits on an emergency basis. None have more than 200 beneficiaries but nevertheless they also involve considerable staff time. Potential beneficiaries for each programme are required to go through separate eligibility assessment procedures.

A growing challenge for the provision of social services in the country is the increasing number of immigrants from Haiti. This influx not only strains the provision of services such as health and education, but also creates special demands, such as coping with a situation where English is a second language for many pupils.

The 2006/2007 budget allocation of \$265 million (€ 170 000 000) (or 18% of recurrent expenditure) for the Ministry of Education reflects the Government's ongoing commitment to facilitate **education**. Fourteen (14) of the nineteen (19) pre-school units were added by construction or renovation in the Family Islands during 2005. To provide education for all children from ages 5 to 16 years, the Government of The Bahamas provides free education for 49 256 students in the order of \$2 666 (€ 1 700) per child and subsidies amounting to \$7.38 million (€ 4 700 000) to support the education of over 14 000 students in 17 independent schools and education authorities.

A key development challenge is to promote equitable social and economic development. The Bahamas has achieved a high level of social development as reflected in generally favourable social indicators. However, some social aspects, such as poverty, are not commensurate with the country's relatively high per capita income (currently at \$18,932 (€ 12 147) per capita). Development on the islands is uneven, with some islands prospering from the tourism and financial service industries, while others are left behind. The social and economic centres of the Bahamas are in New Providence and Grand Bahama, with 85% of the population in those islands. 9% live in Abacos, Andros and Eleuthera and only 6% in the remaining Family Islands. The results from the 2001 Bahamas Living Conditions Survey show a poverty rate³ of 8% for New Providence and Grand Bahama while it is 13% for Abaco, Eleuthera and Andros and as high as 20% for the outer islands.

³ The poverty line is the share of the population which has less than 7.84 dollars (€ 5) per day.

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The survey also shows a significantly lower educational level and employment rate for the Family Islands as well as a high immigration rate. From some of the islands there has been an exodus of people, for instance from Cat Island, where the number of inhabitants has fallen from 361 in 1963 to 72 in 2000. At Acklins the number of inhabitants has fallen from 1 217 in 1963 to 428 in 2000. The Bahamian Government is focusing on these problems and has committed itself to several infrastructure development projects in the Family Islands. However, from the Government Budgets of recent years (2005/2006 and 2006/2007) it is clear that investment in and improvement of the facilities and services in the Family Islands come second to investments in Grand Bahama (Freeport) and New Providence where the social and economic pay-off is much higher. Thus there is a need for support which can improve social and economic growth in the Family Islands and thereby generate more even development of the Bahamian economy.

The uneven distribution between the islands is reflected in the Bahamas' ranking in the United Nations Development Programme's Human Development Index, which has slipped from 28 in 1991 to 52 in 2004.

There is evidence to suggest that poverty is also associated with the **concentration of crime** and criminals in certain urban areas. Against this background the Urban Renewal Initiative was set up by the Government for the purpose of alleviating the conditions of poverty in inner city areas with a view to reducing crime. The Initiative emphasises community policing, the clean-up of urban debris, working with young people and education and training of the young and unemployed. To complement this Initiative the Government has signed a loan agreement with the Inter American Development Bank specifically to strengthen vocational and technical education in the Bahamas.

Unemployment rates have averaged 10% since the 2001 recession. Although this unemployment level is much lower than levels prior to 1992 when the annual unemployment rate average was about 15%, it is below the historical lows of 7.2% recorded prior to 2001. The lack of improvement in the unemployment rate in the face of historical high levels of Foreign Direct Investment has been attributed to a **skills gap** in many segments of the population. The Bahamas relies on **imported labour** from the Caribbean and elsewhere for all levels of activity. The overall impact is little movement in the annual unemployment rate.

The most important **sources of economic growth** are the tourism industry, financial services sector, trans-shipment services, and other services. Some fisheries and agricultural products are competitive and are either exported or supplied to the local market. Numerous agricultural projects are heavily protected or subsidised by the Government. It is unlikely that manufactured exports will become economically significant. The challenge therefore is to ensure that the conditions - particularly in the leading tourism and financial sectors - are as conducive to growth as possible.

2.1.4 Environmental situation

The Bahamas has been pummelled by hurricanes Frances and Jeanne, which struck in 2004, and Wilma in 2005, and ongoing recovery efforts in the aftermath have dominated the national agenda. However, a number of projects were supported by international funding during the year. These projects facilitate continuing efforts by the Bahamas to fulfil its obligations under four key

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international environmental conventions, namely the Convention on Biological Diversity (CBD), the Convention on Wetlands of International Importance (Ramsar Convention) and the United Nations Convention to Combat Desertification (UNCCD). The projects mentioned included public participation in formulating initiatives and framing methodologies for managing and protecting the natural resources of the environment of the Bahamas.

The first state of the environment report on the Bahamas was published in 2005, entitled "GEO Bahamas 2005". This was done with technical and financial assistance from the Division of Early Warning and Assessment of the United Nations Environment Programme (UNEP). The GEO is classified as an integrated assessment process and is being promoted around the world by UNEP and is used as a tool to evaluate the state and trends of the environment. The project is designed to increase national awareness of the state of the environment by involving stakeholders from government and non-government within the archipelago.

Climate change is already having a significant impact in developing countries as highlighted in recent reports of the International Panel on Climate Change (IPCC). The impact increases over the years and is projected to include an increase in extreme weather conditions such as hurricanes. Climate change is a threat to achieving the Millennium Development Goals.

2.1.5 The Bahamas in the international context

On the regional level, the Bahamas is a member of the Caribbean Community (CARICOM)⁴, the African Caribbean and Pacific (ACP) Group of States, CARIFORUM (CARICOM plus the Dominican Republic and Cuba), the Association of Caribbean States (ACS), the Caribbean Export Development Agency (CEDA), and the Caribbean Tourism Organisation (CTO). The Bahamas is a beneficiary of the U.S. Caribbean Basin Trade Partnership Act (CBTPA), Canada's CARIB-CAN programme, and the ACP-EC Partnership Agreement, Cotonou, June 2000.

The Government of The Bahamas has maintained cordial relations with all of its neighbours and strengthened its connection to the Caribbean Community. The Government recently opened an Embassy in China and Cuba, two countries which are rapidly increasing their trade and economic ties with the Bahamas. The purpose behind this strategy is largely to develop new markets for tourism.

The Government of The Bahamas is being encouraged to continue to move toward closer integration into the global economy through multilateral trade arrangements. The Government is involved in ongoing discussions on economic cooperation and trade liberalisation with the United States and Canada, which includes the proposed hemisphere-wide Free Trade Area of the Americas (FTAA) negotiations. The Bahamas is participating with 33 other countries in efforts to form an FTAA. However, the FTAA negotiations were suspended in 2006.

The Bahamas has applied for membership of the World Trade Organisation (WTO), where it enjoys observer status, and has initiated negotiations on its accession. The Government of The Bahamas has committed itself to building the necessary capacity (human, financial and technical resource) to

⁴ Although The Bahamas participates in the political aspects of the Caribbean Community (CARICOM), it has not entered into joint economic initiatives with other Caribbean states.

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develop trade, build awareness and encourage dialogue in order to fully understand the benefits and challenges of trade liberalisation and implications of WTO membership.

The Caribbean Single Market and Economy (CSME) is the subject of considerable attention. The Government has no intention of committing to any international or regional grouping which could or would be damaging to the interest of the Bahamas. The Bahamas has derogations from any aspect of the CSME which would be contrary to its interest.

The EU and the African, Caribbean and Pacific (ACP) countries have been working to put in place new **Economic Partnership Agreements (EPAs)** by the start of 2008. The EPAs aim at progressively and asymmetrically removing barriers to trade and enhancing cooperation in all trade-related areas. They are also aimed at providing an open, transparent and predictable framework for goods and services to circulate freely, as well as to promote incoming investment, thus increasing the competitiveness of the ACP.

On 16 December 2007, the European Commission initialled a comprehensive EPA with the Bahamas and the other CARIFORUM countries (CARICOM plus the Dominican Republic) covering all areas under negotiation.

The general approach is to build on and reinforce regional integration in the Caribbean (market building) and, in subsequent market opening, to use asymmetric flexibility for the benefit of the Caribbean in terms of product coverage and periods for tariff elimination, thereby helping to promote sustained wealth creation and development.

The Inter-American Development Bank in collaboration with the Government of The Bahamas is implementing the Information As a Tool For Negotiating Effectiveness Technical Cooperation Project. This is being funded under the IDB Canada Trust Fund in the amount of US\$127 000 (€ 81 000) in grant funding for four (4) short-term projects. The general objective is to assist the Government of The Bahamas in building the capacity required to successfully analyse the advantages and disadvantages of the various multilateral, regional and bilateral trading initiatives relative to the WTO, FTAA, CSME and EPA. The idea is to enable policymakers to judge the implications of trade liberalisation for the economy of the Bahamas.

2.2 The Bahamas' development strategy

The Government's development strategy is centred on the anchor property initiative. The success of this initiative depends on providing the appropriate public infrastructure throughout the Bahamas to encourage investment. It also depends on enhancing education and training opportunities for Bahamian citizens as well as on providing a safe and secure environment for investment.

Therefore the 2006 and 2007 budgets show significant increases in the allocation for infrastructure rehabilitation, education and training and for the work of the Police and Defence Force.

The key objectives of the new Government are:

1. Create good paying jobs for unemployed Bahamians;
2. Encourage income growth for those who are employed;
3. Increase Bahamian entrepreneurship and ownership in the economy;
4. Reduce poverty, particularly in inner city areas and in the Family Islands;
5. Create balance in economic growth by responsibly spreading prosperity to the Family Islands;
6. Invest in the improvement of society generally: in security, in education, in health, in social welfare and in youth development; and
7. Safeguard the environment and heritage for present and future generations.

2.3. Analysis of the viability of current policies and the medium-term challenges

The last four years of the present Government had indicated some success with the current policy initiatives. The investment pipeline is impressive both in its size and geographical diversity. However, this does not guarantee success. The Bahamas faces a number of challenges in absorbing this level of investment. These challenges include finding enough qualified Bahamians to keep up with the rapid pace of job creation; ensuring that investments take place in an environmentally sound fashion and ensuring that the investments generate positive returns for the economy as well as the investor.

These are significant challenges that require a great deal of coordination between public and private agencies to ensure success. The next few years should demonstrate whether the Bahamas has been fully successful in meeting its development initiatives.

A stumbling block on the path towards smooth and gradual integration in the world economy, increased competitiveness and sustainable economic diversification appears to be the fact that the Bahamas is an identified tax haven and – despite some progress being made on the issue – has not yet fully succeeded in meeting its related commitments in favour of the principles of transparency and exchange of information for tax purposes in a due and timely manner.

Following the ACP-EC Partnership Agreement signed in Cotonou in June 2000, a Country Strategic Paper (CSP) and a National Indicative Programme (NIP) defining the areas of European Union support to the Bahamas were signed in February 2003. This cooperation agreement is referred to as the 9th EDF support to the Bahamas, and covers the period from 2002 to 2007. The 9th EDF response strategy follows the Bahamas Government's development approach and thereby seeks to reduce regional socio-economic imbalances in the archipelago.

The major areas of support envisaged are: capacity strengthening to assist local government agencies, civil society organisations and the private sector in the Family Islands so that infrastructure development programmes, key services (in particular health) and productive endeavours can be achieved in tourism, agriculture, aquaculture, fishing and food processing.

The challenge is to provide and maintain infrastructures such that citizens in all parts of the country can be guaranteed a higher quality of life and all of the inhabited islands can participate meaningfully in economic development.

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An indicative allocation of € 6 830 000 (€ 3 900 000 9th EDF NIP + € 2 930 000 balance from previous EDFs) is available to cover the development activities to be implemented under 9th EDF support to the Bahamas (Envelope A).

The present project intends to use the 9th EDF A allocation for reconstruction of essential infrastructure within the Family Islands, development and promotion of aquaculture, fishing and eco-tourism activities. A "Project Approach" is recommended to deliver the EC's assistance. The fundamental objective of the Bahamas Government's development strategy has been to ensure sustainable economic growth, with all Bahamians sharing as fully as possible in the benefits of such growth. Due to the geographic set-up of the Bahamas as an archipelago of hundreds of islands and cays, the pattern of development creates a challenge for equitable social development.

The strategy of the Government has been to expand the basic infrastructure across the entire country, with special emphasis on reducing disparities with the Family Islands. In addition to the regular services of roads, water, electricity and telecommunications, the archipelago nature of the country renders harbours, airports and landing strips as critical infrastructure for the nation state.

The project aiming at reconstructing some essential infrastructure services in the Family Islands, and promoting their social and economic development, would therefore fit in with the Government's development strategy.

The proposed projects do not require any policy reforms from the Government or any specific conditions. The proposal is in line with objectives of both the 9th EDF and present Government policies including poverty reduction measures.

CHAPTER III: OVERVIEW OF PAST AND PRESENT EU COOPERATION, COMPLEMENTARITY AND CONSISTENCY

3.1 Overview of past and present EU cooperation

3.1.1 Focal Sector

The National Indicative Programmes for the 7th and 8th EDFs were signed on 13 March 1991 and 24 February 1997 respectively. In the 7th EDF the entire indicative programme (€ 4 400 000) was allocated to the improvement of socio-economic infrastructure in the Family Islands, which constitute the poorest islands of the Bahamas. In the 8th EDF it was agreed to concentrate the whole NIP (€ 4 500 000) on the development of infrastructure on the Family Islands.

The Country Support Strategy and National Indicative Programme (CSS/NIP) for the 9th EDF was signed on 6 February 2003. The strategy agreed in the CSS/NIP seeks to deliver a capacity-building programme in the "Family Islands" with the fundamental purpose of the programme being to strengthen local stakeholders, be they government, private sector or civil society organisations, to render SMEs more competitive and to ensure better maintenance of local infrastructure.

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Hence, for the 9th EDF the focal sector of **Capacity-Building in the Family Islands** was selected. The available funds in the A Envelope of the 9th EDF total € 6 830 000, which includes transfers from previous EDFs.

The expected results of the 9th EDF support for the Bahamas were:

- Capacity in local government, including health services, and civil society organisations strengthened to plan and implement programmes
- Strengthening of the SME sector
- Improved quality of roads, sea defences, airstrips and other infrastructure on Family Islands
- New maintenance scheme applied which is consistent with prevailing local weather, coastal and other conditions

This strategy has been in line with the Government's strategy to expand the basic infrastructure across the entire country, with special emphasis on reducing disparities with the Family Islands.

Results obtained under the 9th EDF

Unfortunately, implementation of the 9th EDF has experienced significant delays. Due to the protracted process of establishing the TCF, **overall progress in committing A-envelope allocations has been very slow**. This is at least in part due to lack of communication on project implementation issues. The intervention framework had not been updated by the end of 2004 and no output or outcome sector-wide indicators were made available. The Mid-Term Review concluded that the Bahamas was a very low performer in terms of implementation of EC assistance and that a reduction of the overall allocation could be contemplated at the End-of-Term Review if things did not improve.

During August-September 2005, a feasibility study took place for the preparation of activities to be financed under the focal sector. This study was financed through the Technical Cooperation Facility (9 ACP BM 1). The study recommended focusing the EDF's intervention on six projects, all being in the Family Islands, outlined in the table below.

Island	Project	Activity
Andros	Eco-Tourism Training Centre	Construction of visitor and training centre for SME
Andros	Fresh Creek Dock	Rehabilitation of the most important dock at Northern Andros
Ragged Island	Duncan Town Dock	Dredging of access canal and rehabilitation of dock
Cat Island	New Bight Int'l Airport	New airport terminal and apron
Ragged Island	Duncan Town Airport	Rehabilitation and resurfacing of runway and apron
Acklins	Spring Point Northerly Roads	Rehabilitation of roads

In 2006, the Delegation and the NAO prepared the Financing Proposal for the implementation of these projects.

3.1.2 Projects and programmes outside focal sectors

The 9th EDF allocated 100% of the A Envelope to the focal area of Capacity-Building for the Family Islands. Hence, there are no projects or programmes outside the focal sector.

3.1.3 Utilisation of Envelope B

The Envelope B allocation of € 6 0 000 is available in the 9th EDF NIP to cover unforeseen needs such as emergency assistance, contributions to internationally agreed debt relief initiatives and support to help mitigate the adverse affects of instability in export earnings.

During 2005, the EC proceeded with the preparation of the financing agreement to use the entire funds available under the 9th EDF "B" allocation for reconstruction of infrastructure damaged by Hurricane Frances in September 2004. The recipient area is Lowe Sound, located on the Andros Island, which is one of the Family Islands targeted by the 9th EDF support. A "Project Approach" has been chosen to deliver the EC's assistance. The financing agreement has been approved, and the corresponding works tender was launched in 2006.

3.1.4 Other instruments

The outstanding EIB loan portfolio for operations in the Bahamas amounted to € 10 900 000 by the end of 2007, on signatures of € 34 000 000. There were two operations under the Bank's own resources, comprising support for the Bahamas Water and Sewerage Corporation (WSC) and the Bahamas Electricity Corporation (BEC). The loan to BEC was for the expansion and improvement of the electricity supply on the outer Family Islands. The WSC facility supported improvements and extensions to the wells and distribution system in New Providence and the Family Islands." The outstanding EIB loan portfolio for operations in the Bahamas amounted to € 10 900 000 by the end of 2007, on signatures of € 34 000 000. There were two operations under the Bank's own resources, comprising support for the Bahamas Water and Sewerage Corporation (WSC) and the Bahamas Electricity Corporation (BEC). The loan to BEC was for the expansion and improvement of the electricity supply on the outer Family Islands. The WSC facility supported improvements and extensions to the wells and distribution system in New Providence and the Family Islands."

On a Caribbean Regional level relating to disaster management, the Bahamas is part of the 9th EDF Regional Disaster Management Programme (9th EDG - € 3 400 000), activities count be extended into the 10th EDF, and the EU Disaster Facility The sixth ECHO Disaster Preparedness Programme (DIPECHO) for the Caribbean was adopted July 2007 for 18 months, and the Bahamas can benefit from ECHO funding under the International Federation of the Red Cross.

3.2 Information on the programmes of the EU Member States and other donors

The Inter-American Development Bank's country strategy for the Bahamas for 2003-2007 has four principal areas of strategic focus: (i) sustaining economic growth and private sector development; (ii) promoting social development and equity; (iii) improving environmental management and natural resources conservation; and (iv) public sector modernisation. A key element of the strategy is to focus support on relatively small projects, often with high technical assistance content. Furthermore, a cross-cutting theme of the country strategy is to promote development of the Family Islands.

There are no other multilateral or bilateral donors active in the Bahamas. The UK High Commission closed its representation in 2005 and transferred coverage to the High Commission in Jamaica.

3.3 Other EU policies

Negotiations for an Economic Partnership Agreement (EPA) between the EU, the Bahamas and other and CARIFORUM countries (CARICOM + the Dominican Republic) have been successfully completed on 16 December 2007.

The Commission's recently adopted *Communication on an EU–Caribbean Partnership for Growth, Stability and Development* (March 2006) outlines the future policy for EU–Caribbean relations. Aiming at enhancing the Caribbean's own reform and development agenda, the EU approach will be geared to shaping a political partnership based on shared values; addressing economic and environmental opportunities and vulnerabilities; and promoting good governance in the tax area, fostering social cohesion and combating poverty.

3.4 Description of the State of Partnership with the Bahamas

Since the EC does not have an office in the Bahamas and no EU Member State has a diplomatic representation, there is currently no institutionalised political dialogue between the Government and the EU.

CHAPTER IV: RESPONSE STRATEGY

This chapter outlines the EU response strategy for the Bahamas for the period 2008-2013 and is based on the country diagnosis, the recommendations resulting from the evaluation of the CSS/NIP 2002-2007, and lessons learned. It also considers the Bahamas' needs and progress made so far towards meeting their national development goals and the Government of the Bahamas' commitment to achieving their national priorities. Finally, due consideration is given to the relative magnitude of financial and administrative resources to be made available by the EU for development cooperation with the Bahamas in the period 2008-2013, as well as their potential impact.

The principles upon which the strategy was decided include: alignment with key strategies of the Government of The Bahamas; complementary synergies with the actions of other international development partners in the Bahamas; maximising effectiveness by focusing on interventions that respond to key needs and opportunities for progress and take into account the EU's comparative advantages.

4.1 Background

In 1996 the Government of The Bahamas introduced local government to selected Family Islands to deepen democracy by transferring decision-making authority to communities in the interest of greater accountability. This system allows persons from these communities to decide what is best for them. The effect of local government is therefore to widen the power base, particularly in the Family Island communities, by empowering the people to govern their local affairs.

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The economic development of these islands will depend somewhat on new capital investment development from other investment sources, as the Government does not have the necessary financial resources to do it all.

To complement this reality, the Government announced a strategy of decentralisation in economic activity through its anchor property initiative whereby every major island would have a major resort development. Similarly, it has renewed its focus on small business development through programmes such as a government-sponsored venture capital initiative. The Government also recognises the crucial importance of encouraging investment by Bahamian entrepreneurs.

There is, however, a significant amount of poverty in the more remote south-easterly islands of the Bahamas, namely Acklins, Crooked, Mayaguana and Long Cay islands, revealed in the results of the first-ever Living Conditions Survey done by the Department of Statistics several years ago, which was designed to measure the level of poverty in some of these islands. A considerable amount of infrastructure development is therefore required, which will allow for trade and concomitant economic growth and which should alleviate these pockets of poverty.

The Response Strategy is based on economic and social situational analysis relative to activities of the Government's initiatives with a financial contribution from other development partners. The former Ministry of Trade and Industry set the wheels in motion in 2005 by seeking the views of civil society and holding town meetings in the more deprived islands in the south-east Bahamas. In addition to meeting with Family Island Councillors, Family Island Administrator Representatives from the Ministry met with a number of residents from both private and public sectors to ascertain their views regarding issues relevant to the future economic development of their individual or particular islands.

The islands in the south-east of the Bahamas were chosen on the basis of the results of the first living conditions survey, which pointed to significant pockets of poverty in these areas. There is also consensus among the development banks (IDB and CDB) that concentrating on these islands is still the best thing to do. The IDB Country Strategy Paper (2003-2007) notes that the "Bank will look especially favourably on projects and initiatives that are aimed at the development of the Family Islands, which lag New Providence and Grand Bahama in most developmental aspects" and the CDB 2005 Review states: "Alleviating poverty in the Family Islands should be top priority". The development of physical infrastructure is a requirement for improved growth, particularly of the tourism industry. Improved infrastructure will promote small business development on the Family Islands. In the medium and long term this will reduce poverty.

Despite the levels of poverty, these south-easterly islands are an untapped resource with limitless potential for economic growth and development. It is therefore the view of the Government that the time has come to take these islands to a new level of development. If this development objective is supported by funding from the EU it will provide a much needed source of support to develop these disadvantaged islands. In addition, the Government is committed to providing matching funds and is seeking to have the EU along with other donors (IDB and CDB) complement its efforts in the development process. The realisation of this objective would further stem the migration to New Providence and Grand Bahama or, more recently, to Abaco.

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4.2 The Response Strategy

Against the background of the poverty analysis, the Government's own national priorities and the lessons learned from the 7th, 8th and 9th EDF programmes respectively, the forthcoming 10th EDF response strategy will continue to concentrate on the development of local infrastructure on the Family Islands. To ensure maximum impact of the cooperation strategy, it is important that the islands that will be direct beneficiaries of the 10th EDF programme are the **same islands** as under the 9th EDF programme.

The aim of the Response Strategy continues to be, as in previous years, to reduce regional socio-economic imbalances in the Bahamas. This should be done by means of capacity-building in infrastructure development on the south-easterly islands of the Bahamas, bringing them up to the level of New Providence, Grand Bahama, Abaco and the other more developed islands. The thrust of the strategy is to achieve sustainable economic growth and stability and continuous improvement in living conditions. Support for the Family Islands' integration into the Bahamas economy is aimed at establishing one Bahamas economic space for future generation of sustainable and equitable economic growth. The intent is to facilitate a structural transformation of the least developed islands in the south-east, repositioning these islands and bringing them into line with the whole economy through inter-island as well as international direct trade, which should ultimately achieve the central Cotonou objective of poverty reduction.

The activities funded by the 10th EDF should focus on the infrastructure sector. Providing adequate physical infrastructure is considered to be a critical requirement for continued growth and competitiveness, particularly in the tourism industry. This should also be relevant for the Bahamas' economic relations with the EU and could be part of a regional effort to promote services trade. It is clear that the need for adequate infrastructure is greatest in the Family Islands. A review of the previous activities funded by the 7th, 8th and 9th EDFs show that they are all related to infrastructure projects: this is apparently an area in which the Government of The Bahamas has a constant need for aid. It is one of the areas in which the EC has a comparative advantage as a donor. It will also be important to focus the available funds in order to prevent the efforts from becoming too 'diluted' and therefore less effective. Last but not least, it was agreed to continue the strategy from the 9th EDF.

4.3 Key objective, main areas for Community action

The overall objective of the EC support strategy is to reduce poverty and regional socio-economic imbalances in the Bahamas. It is based on the objectives of the new EU Development Policy as defined in the Communication on Consensus for Development and in the Communication on an EU-Caribbean Partnership for Growth, Stability and Development, and the comparative advantage of the EC as a provider of foreign aid.

The subsidiary objective is continuous sustainable economic and social development and ongoing improvement in the standard of living in the more depressed and marginalised Islands.

The purpose of the strategy is to increase capacity in the following areas:

- (1) To improve local infrastructure and ensure better maintenance

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- (2) To increase Family Island participation, development and production in the areas of goods and services.

The expected results of the strategy are:

- (1) Better island infrastructure, such as roads, ports, runways, drainage systems and sea walls, with continuous and on-time maintenance
- (2) Increased economic activity in goods and services due to better access from and to markets

The means to achieve the objectives of the strategy are:

- (1) Funding of infrastructure critical to the development of the Family Islands
- (2) Institutional support in the implementation of programmes.

Themes for intervention:

- Institutional strengthening of key ministries
- Institutional strengthening of BWC (water and sewerage i.c.w. environmental management)
- Infrastructure, critical to the development of the Family Islands
- Disaster management
- Support for institutions and groups involved in the implementation of the Islands programme.

PART II

NATIONAL INDICATIVE PROGRAMME

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1. Indicative Programme

1.1 Introduction

On the basis of the cooperation strategy presented in Part One and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Parties have agreed on the main priorities of their cooperation and on the sectors in which EU support will be concentrated. A detailed indicative programme is presented in this chapter followed by a set of tables showing the intervention framework for each focal area, the financial programming timetable, and an activity pipeline schedule.

The amounts mentioned in this chapter indicate the overall breakdown of funds between the focal sectors and other programmes. The breakdown may be modified in the light of operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document will be required.

1.2 Financial instruments

The implementation of the EU's cooperation strategy with the Bahamas will be financed from a number of financial instruments. The following allocations are foreseen on an indicative basis:

1.2.1 10th EDF, A envelope, € 4 700 000

This envelope will cover long-term programmable development operations under the strategy, and the following programme in particular has been identified:

Focal sector: Capacity-building in the Family Islands (90%)

1.2.2 10th EDF, B envelope, € 300 000

This envelope will cover unforeseen needs such as emergency assistance where support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate the adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex 4 to the Cotonou Agreement, this amount may, if necessary, be increased in the light of operational or ad hoc reviews.

1.2.3 Investment Facility

In addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the **Centre for the Development of Enterprise (CDE)** and the **Centre for the Development of Agriculture (CTA)**.

1.2.4 10th EDF regional indicative programme

This allocation will cover long-term programmable development operations under the regional strategy for the Caribbean. The allocation is not part of the NIP but may have repercussions at national level depending on the participation of the Bahamas in the programmes proposed under the regional framework.

1.2.5 Other financial instruments

Specific activities may be supported by external actions funded by the general budget of the European Union carried out under the financial framework for 2007-2013, subject to special procedures and availability of funds, and out of the own resources of the EIB. Actions funded by the general budget include programmes under the Development Cooperation Instrument such as the thematic programmes "investing in people", "non-state actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security", as well as actions that might be funded from other instruments such as the stability instrument, the European Instrument for Democracy and Human Rights, or humanitarian and emergency assistance.

Legal entities from the Bahamas can also participate in international scientific cooperation under the 7th Research Framework Programme (2007-2013).

1.2.6. Monitoring and evaluation

Monitoring of results and evaluation of the impact of individual activities (programmes, projects, sectors) under this CSP will be undertaken in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement prepared to implement this CSP.

The results and impact of the Community's cooperation with the Bahamas implemented through the NIP and through other external actions funded by the general budget of the European Union will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

1.3 Focal areas

1.3.1 Focal Sector: Capacity-Building in the Family Islands

The specific objective is to increase capacity in the following areas:

- To improve local infrastructure and ensure better maintenance
- To increase Family Island participation, development and production in the areas of goods and services.

Expected results are:

- Better island infrastructure, such as roads, ports, runways, drainage systems and sea walls, with continuous and on-time maintenance
- Increase economic activity in goods and services due to better access from and to markets

The means to achieve the objectives:

- Funding of infrastructure critical to the development of the Family Islands
- Institutional support in the implementation of programmes.

Themes for intervention:

- Institutional strengthening of key ministries
- Institutional strengthening of BWC (water and sewerage i.c.w. environmental management)
- Infrastructure, critical to the development of the Family Islands
- Disaster Management
- Support for institutions and groups involved in the implementation of the Islands programme.

All planned strategies and interventions will be screened in order to determine whether an environmental impact assessment is needed. If needed the appropriate studies will be undertaken and recommendations taken into account in the design of the intervention.

1.4 General Budget Support

The indicative programme does not provide for general budget support. However, in the light of changing needs, it may be decided to reallocate funds from other application points in the NIP to this type of support. Such a decision can be taken in the form of a specific agreement between the Chief Authorising Officer and the National Authorising Officer or within the context of an operational, mid-term, final or ad hoc review.

1.5 Other programmes

An indicative amount of approximately 10% of the NIP is set aside for the following actions:

Non-Focal Sector: Technical cooperation (10%)

The technical cooperation facility (TCF) will provide support to facilitate the implementation of Bahamas-EU development cooperation financed from the European Development Fund (EDF) and the EU budget, and may include technical support to good governance in the tax area and to promote scientific and technical cooperation as well as other relevant Community programmes to increase synergies across the entire range of cooperation possibilities.

There is no specific amount foreseen for support to Non-state Actors, in view of the limited amount available under the 10th EDF. NSA could, however benefit indirectly under the TCF.

Overall, the indicative programme does not include activities to be funded under the regional programme.

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1.6 Intervention Framework: Capacity-Building for Integrated Development

	Performance indicators	Sources of verification	Assumptions
<p>Overall objective To reduce poverty and regional socio-economic imbalances in the Bahamas</p> <p>Project purpose Improving local capacities for the management of economic and infrastructure development in the Family Islands</p>	<ul style="list-style-type: none"> • Social indicators • Increase in employment in the region • HDI improvement between 2008 and 2013 • GDP and per capita growth • Growth in income and employment in Family Islands • Increased value added in Tourism, Agriculture, Fishing, Aquaculture and Food Processing in Family Islands 	<ul style="list-style-type: none"> • Department of Statistics • National Accounts • Labour Force Survey • Ministry of Trade and Industry • Local Government Councils • Ministry of Finance 	<ul style="list-style-type: none"> • There is domestic and international demand for expanded output of Family Islands • The Government introduces and continuously updates mid-term public investment planning • The Government develops coherent sector strategies
<p>Improved quality of roads, sea defences, airstrips and other infrastructure on Family Islands</p>	<ul style="list-style-type: none"> • Km of roads: Paving and verges maintained to accommodate normal traffic during the period of the budget cycle • Number of sea defences: Maintained to provide protection against surges during the period of the budget cycle • Number of airstrips: Maintained to provide safe landing facilities for normal aircraft traffic 	<ul style="list-style-type: none"> • Ministry of Transportation and Works • Ministry of Trade and Industry 	<ul style="list-style-type: none"> • Financial resources from EC will be matched by Government funds
<p>New maintenance scheme applied which is consistent with prevailing local weather, coastal and other conditions</p>	<ul style="list-style-type: none"> • Maintenance scheme in place • km of infrastructure in rehabilitated • % of funding allocated for rehabilitation and repairs • financial management audit and procurement schemes in place • number of staff trained 	<ul style="list-style-type: none"> • Ministry of Transportation and Works • Ministry of Trade and Industry 	<p>Authorities adhere to adopted maintenance strategy</p>

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1.7 Indicative timetable for commitments and disbursements

1.7.1 Indicative timetable of global commitments

	Indicative allocation	2009		2010		2011→	
		1	2	1	2	1	2
FOCAL SECTOR – Infrastructure	M €						
- Support to the Family Islands	4.23 M €		4.23				
- Technical Cooperation Facility	0.47 M €		0.47				
Total Commitments:	4.70 M €		4.70				
Total Cumulative Commitments :	4.70 M €		4.70				

1.7.2 Indicative timetable of disbursements

	Indicative allocation	2009		2010		2011→	
		1	2	1	2	1	2
FOCAL SECTOR – Infrastructure	M€						
- Support to the Family Islands	M€			0.8	0.8	0.8	0.8
- Technical Cooperation Facility	M€			0.1	0.05	0.05	0.05
-Other	M€						
Total Disbursements :	M€			0.9	0.85	0.85	0.85
Total Cumulative Disbursements:	M€			0.9	1.75	2.60	3.45