

ECONOMIC RECOVERY COMMITTEE

EXECUTIVE
SUMMARY
REPORT

MESSAGE FROM CHAIRS



Marlon Johnson
Acting Financial Secretary



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This report is the culmination of months of dedication and hard work from a dynamic group of public and private sector professionals, who generously volunteered hundreds of hours of their time to map a path for our country's economic recovery. These individuals have pressed forward in spite of - and in response to - the chaos brought about by the global pandemic. There could be no greater demonstration of patriotism.

We are proud to present this summary report. On behalf of the Government and Bahamians everywhere, we thank all who contributed: the members of the Committee and all the sub-committees, the experts who spoke with us, the members of the public who shared their views with us, and the staff who supported our work.

Throughout the Committee's deliberations, a number of cross-cutting themes became apparent. There was a clear consensus that if the country is to become globally competitive and forge a sustainable economy, then it must take concrete steps to do the following:

- Make substantial investments in critical infrastructure by leveraging state assets and partnering with the private sector;
- Enable the "Take Off" of Grand Bahama and our Family Islands by Island-specific development plans shaped with the inputs of stakeholders on those islands;
- Expand access to investment capital by Bahamian Entrepreneurs through traditional and innovative mechanisms;
- Diversify the economy in a real way by focusing on specific and articulated sectors, with documented plans that have milestones, targets and key performance indicators to measure progress and success;
- Shape an economy that is more inclusive and that facilitates equality of opportunity for all citizens;
- Align the country's investment regime with international best practices and strip all unnecessary bureaucratic impediments to commerce;
- Make banking easier and encourage more competition within the financial services space.

The fact is that the Bahamas will continue to be a tourism and business destination of choice for the world. This comparative advantage will be the primary driver of our economic recovery and our economic fortunes. This reality cannot, however, distract us from the absolute need to pursue tangible and realistic diversification efforts for reasons that the pandemic has exposed. Even within our established travel and leisure industry, we must find ways to diversify the range of products and offerings that can capitalize on the world's desire to spend time within our shores.

The COVID-19 pandemic will be a defining moment in our country's history. The economic and social impacts have been unprecedented. Yet, this crisis also provides us with an opportunity to be bold and innovative as mandated by the Prime Minister. The Committee has worked to ensure that our recommendations will help serve as a catalyst for building a more resilient, dynamic, inclusive and sustainable economy for years to come.

EXECUTIVE SUMMARY

The purpose of this summary report is to provide recommendations to the Government of The Bahamas with regard to strategies and actions that can lead to a prompt recovery from the economic shock suffered as a consequence of the COVID-19 global pandemic. It compiles the key recommendations made by the sub-committees charged with this work and organizes them by the themes that serve as the foundation for the economic vision of the government: an economy that is resilient, dynamic, inclusive and sustainable. This report provides an overview of the work done by sub-committees and indicates the sub-committee source of each recommendation. For ease of reading, it does not include the complex data-driven analysis each sub-committee carried out to arrive at its recommendations.

To build a resilient economy, the Economic Recovery Committee makes recommendations intended to:

- Stabilize the economy;
- Reduce the economic vulnerability and effect of external shocks on the country;
- Manage and reduce the trade deficit;
- Reduce the level of financial risk for individuals and families.

With regard to the creation of a dynamic economy, the Economic Recovery Committee offers recommendations intended to:

- Realize the economic potential of Grand Bahama;
- Drive development in the family islands;
- Make the tax structure more equitable and sustainable;
- Modernize the insolvency regime;
- Make it easier to do business;
- Expand production in the agriculture and fisheries sectors;
- Facilitate foreign direct investment;
- Increase Bahamian activity in the technology sector;
- Support the expansion of business activity in the international financial sector;
- Modernize land administration;
- Legalize and regulate the cannabis industry.

To support the expansion of an inclusive economy, one in which Bahamians have access to the skills and resources to fully participate, the Economic Recovery Committee proposes recommendations that cover:

- Innovation, funding and research;
- The 'shared economy' concept in the tourism space;
- Socio-economic development, education and labour market needs;
- Financial inclusion and access to services;
- Financial literacy.

Finally, the Economic Recovery Committee proposes measures aimed at building an economy whose foundation is sustainable, protects the physical environment, invests in people and builds lasting wealth. Its recommendations are aimed at the following issues:

- Regulatory process for developments;
- Revenue generation for the environment;
- Environmental Conservation;
- State-owned enterprises and government agencies;
- Health, wellness and social development.

SCOPE AND METHODOLOGY

Two principles guided the Committee's work. First, recommendations were to be data-driven, requiring review of relevant empirical work and engagement with field-based experts. Second, recommendations were to take into account public feedback and opinion.

In order to respect these two principles, ten sub-committees were created, each tasked with reviewing particular sectors or themes as follows:

- Structural Reform
- Financial Services
- Digitization and The Conceptual Economy
- Tourism and The Orange Economy
- Healthcare and Social Capital
- Commerce, Entrepreneurship, and Next Generation (Youth) Engagement
- Agriculture, Fisheries and Manufacturing
- Family Islands Development
- Energy and Environmental Stewardship
- Labour and Education

The sub-committees convened weekly meetings to review progress and pursue deliberations. They were supported in efforts to engage the public through the use of a dedicated mailbox and Virtual Town Hall meetings, and they met with area experts who helped guide the committee's thinking as it considered recommendations. Through these channels, the ERC received roughly 300 recommendations from the general public. In some instances, focus groups were created to further explore various areas of each subcommittee, as well as to leverage further expertise. A list of the companies, organizations and professional bodies consulted is to be found in Appendix 2.

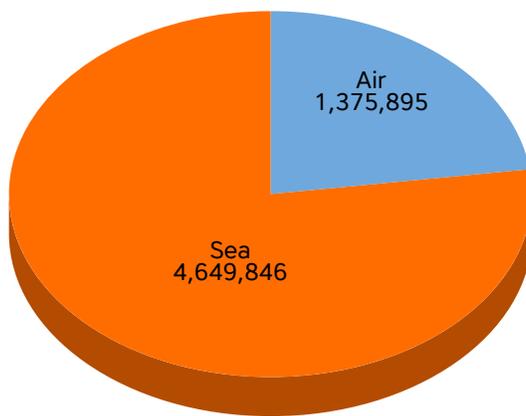
THE BAHAMAS ECONOMIC OVERVIEW

Overview of the Bahamian Economy

Comprised of 700 islands, and over 2,000 rocks and cays, with a population of 389,410 (Department of Statistics, 2020), The Bahamas is a small island-nation which sits approximately 80 km, or some 50 miles south-east off of the coast of the state of Florida. The economy is fueled by two main sectors: tourism and financial services. As a small, open economy, The Bahamas relies heavily on trade, which has augured relatively well for its functionality, given its close proximity to the United States—its primary trading partner. As an independent nation within the Commonwealth, The Bahamas has achieved significant progress in growth and development since its Independence in 1973, and enjoys a relatively high per capita income (third largest in the Western Hemisphere behind the U.S. and Canada), which has helped to maintain high living standards. The country continues to evolve its legislative, fiscal and monetary framework to meet international best practices, and to support its expanded growth and development.



AVERAGE COMPOSITION OF ARRIVALS
(2009 - 2019)



SOURCE: Ministry of Tourism

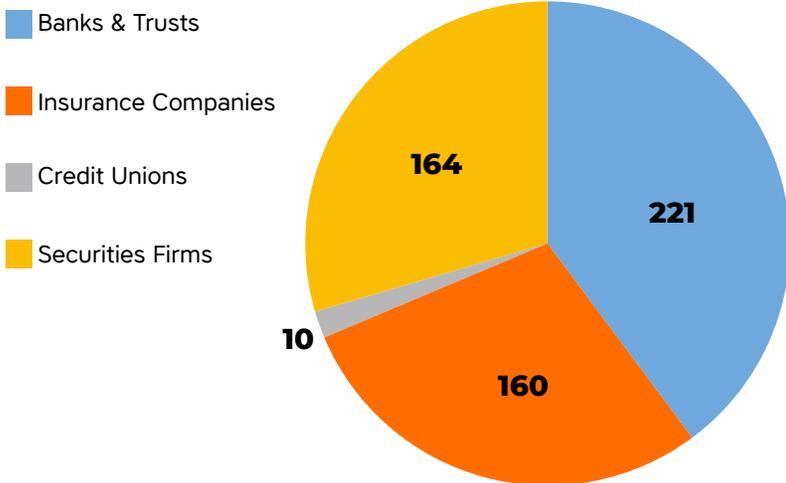
Economic Composition

The Bahamas is largely an export service economy, almost entirely dependent on tourism and financial services to generate foreign exchange earnings. With a mature tourism infrastructure supporting, on average, approximately 1.4 million stopover visitors and 4.6 million cruise visitors per annum, and a progressive service industry, tourism is the largest driver of the economic activity in The Bahamas. The tourism sector alone (direct, indirect, and induced) provides an estimated 50% of the country's Gross Domestic Product (GDP) and employs directly or indirectly, nearly 70% of the Bahamian work force. By the end of 2019, The Bahamas boasted a record-breaking 7.2 million visitor arrivals despite disruptions from the passage of Hurricane Dorian in the fall.

The financial services sector contributes approximately 8.9% to the country's GDP, second only to the dominant tourism sector. The sector has a direct impact on domestic employment and expenditure, while also indirectly affecting other substantial sectors, such as construction, and wholesale & retail trade. In the domestic space, value-added is foremost from the intermediation of the resources and facilitation of payments and settlements for commerce. The international sector exports services, and provides benefits more exclusively from employment and local operating expenses.¹

¹ "Gross Economic Contribution of the Financial Sector in The Bahamas (2019)." Central Bank of the Bahamas, <https://www.centralbankbahamas.com/viewPDF/documents/2020-07-09-03-06-55-Gross-Economic-Contribution-of-the-Financial-Sector-2019.pdf>

MAIN PLAYERS IN THE FINANCIAL SERVICES SECTOR



SOURCE: Central Bank of The Bahamas

The financial services sector of The Bahamas is highly developed and dynamic, providing a wide array of services by several types of intermediaries, though its size as a component of the economy has declined in recent years. The sector consists of commercial banks, saving banks, trust companies, offshore banks, insurance companies, a development bank, a publicly controlled pension fund, a housing corporation, a public savings bank, private pension funds, cooperative societies and credit unions. Although financial intermediation is dominated by commercial banks, the insurance industry and the numerous private pension schemes - which constitute the institutional investor base - mobilize a sizeable pool of long-term investment resources

for economic growth. Credit unions are also gaining in importance and statutory bodies, such as The Bahamas Mortgage Corporation, The Bahamas Development Bank and the National Insurance Board perform an integral role in the mobilization and intermediation of funds in The Bahamas. Capital and money market activities received a significant boost in 2000 with the introduction of The Bahamas International Securities Exchange (BISX), which operates alongside the informal over-the-counter exchange of public sector bonds and bills, which is administered through the Central Bank².

Tax Regime

The tax regime in The Bahamas has been historically characterized as simple, with a narrow-base, comprised mostly of indirect taxes. The main types of taxes include customs duty, departure taxes, excise taxes, property taxes, gaming taxes, stamp taxes, and Value Added Tax (VAT). The latter was implemented in 2015 and is now the single most significant contributor to Government revenue. Collectively, tax receipts in The Bahamas represent some 17.5% of GDP and generate the bulk of total Government revenues for the country, which stood at approximately 19.0% of GDP at the end of FY2018/19.

In recent years, the Government has sought to strengthen tax administration by improving and, in some instances, replacing old, antiquated systems, with more efficient digital versions. Key examples of these strides are found in the rollout of the new Electronic Single Window at the Customs Department, and the ongoing Real Property Tax project at the Department of Inland Revenue.

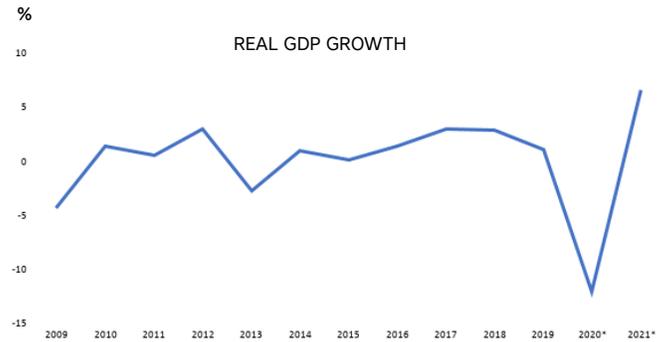


² <https://www.centralbankbahamas.com/overview#:~:text=Apart%20from%20the%20Central%20Bank,corporation%2C%20a%20public%20savings%20bank%2C>
³ As at the end of the 2018/19 fiscal year; Ministry of Finance.

ECONOMIC PERFORMANCE OVER THE PAST DECADE

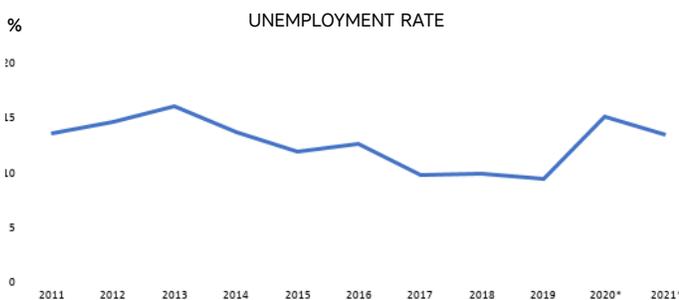
Real Sector

Domestic economic performance over the past decade has been impacted by severe external crises. The 2008/09 global financial crisis, which resulted in massive layoffs, slowed tourism performance, and reduced consumption, placed downward pressure on economic growth. In 2009, real GDP contracted by 4.2%—marking the sharpest decline since 1991. Although the economy rebounded in 2010, against the backdrop of an improvement in the U.S. economy, growth levels receded in 2013, when the economy contracted by 2.7%. Over the next two to three years, growth remained relatively low, as a result of a series of natural disasters, including Hurricane Joaquin in 2015. Supported by varied scale Foreign Direct Investment (FDI) projects, including but not limited to the Baha Mar development and the Pointe, growth rebounded in 2016 to 1.4%. Real growth maintained this upward trajectory throughout the past three years, notwithstanding two major hurricanes—Irma (2017) and Dorian (2019). However, the combination of crises—coupled with the sluggish and uneven pace of structural reform—have impeded The Bahamas’ ability to achieve the necessary level of growth to sustainably address the persistently high level of unemployment. The crisis-driven trend is anticipated to continue into 2020, with forecasts indicating a contraction of some 12% for 2020, as a result of the Coronavirus (COVID-19) pandemic, which halted global travel and thus the country’s primary industry for the better part of the year. Projections by the International Monetary Fund (IMF) show a substantial rebound in 2021 with growth forecasted at 6.7%, in line with the recovery projected for the United States. It is anticipated, however, that it may take two to three years for the economy to get back to pre-pandemic levels.



*Forecast
SOURCE: Department of Statistics, Ministry of Finance, IMF

For the most part, trends in unemployment moved in tandem with growth projections, as the former is largely dependent on the latter. In fact, this trend has prevailed since The Bahamas gained independence in 1973, characterized by double digit unemployment rates for the better part of the near 50-year period. In the years following the financial crisis, unemployment trends saw a slight uptick, peaking in 2013, when the economy contracted by 2.1%. However, over the past five years, the unemployment



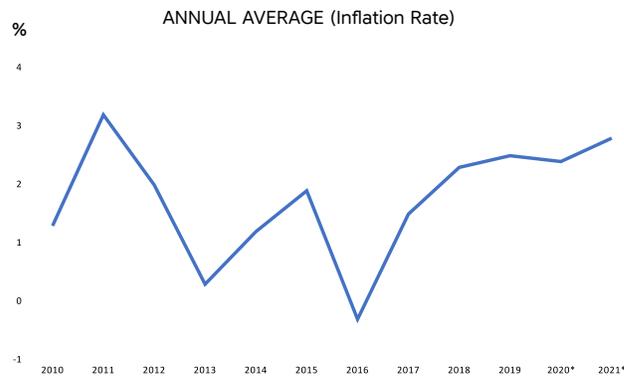
*Forecast
SOURCE: Department of Statistics, IMF

rate has trended downward, reflecting to some extent the roll out of a number of foreign direct investment projects, as well as an increase in intake from the public sector. As a result of the COVID-19 pandemic, the tourism sector came to a near halt, which has resulted in mass layoffs. Thus, the jobless rate for 2020 is anticipated to be significantly higher than its past decade trend, before returning to trend in the subsequent years.

Given the country’s fixed rate monetary regime, and the fact that most consumption is supported by imports, the domestic inflation rate is largely imported. The rates tend to move in tandem with that of the U.S. Although inflationary pressures have been relatively mild,

a major influence in average consumer prices over the past decade has been the movements in oil prices, and in 2015, the introduction of VAT elevated the inflation rate to 1.9%. The increase in the VAT rate in 2018 resulted in another spike in average consumer price inflation by 80 basis points to 2.3%.

Tourism sector output performed strongly throughout the past decade, with air arrivals trending upward to over 7 million in 2019—despite the passage of Hurricane Dorian. The bulk of passengers travel by sea, including pleasure crafts and cruise ship arrivals. With the average spend for the high value-added stopover segment estimated at \$2,070⁴ per visitor for a stay of roughly 6 days, the tourism sector directly contributes significantly to The Bahamas’ economy.



*Forecast
SOURCE: Bahamas Department of Statistics

In fact, in 2019, total tourist expenditure—including of stopover and cruise visitors—increased to \$4.1 billion from \$3.7 billion in 2018. This does not include the indirect contribution made via employment, which supports consumption, and to a further extent, GDP. The sector continues to be supported by the development of major projects in the Capital, as well as the Family Islands, which contribute significantly to employment and entrepreneurial opportunities for Bahamians. The impact of COVID-19, however, has interrupted tourism’s stellar performance, with arrivals falling by over 14% in the first quarter of 2020 alone, as a result of border closures and the halt in global travel.



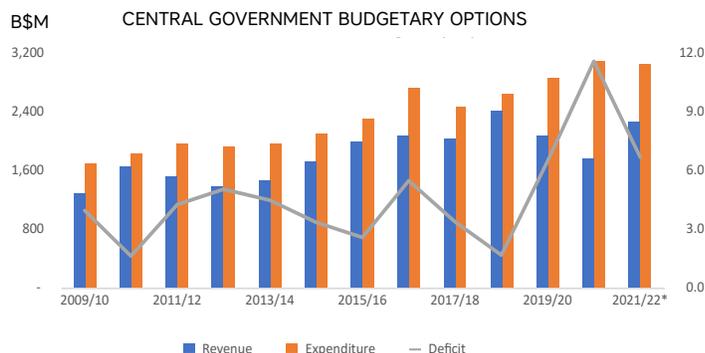
SOURCE: Ministry of Tourism

Fiscal Sector

On the fiscal front, developments in central government budgetary operations were predominantly driven by the series of external shocks to the domestic economy over the past decade. After registering a low of 1.6% of GDP in FY2010/11, the fiscal deficit ratio rose continuously in the four years leading up to the introduction of VAT in January 2015, which underpinned a reduction in the deficit from 3.4% in FY2014/15 to 2.6% million in FY2015/16. Though this structural change in the tax regime was successful in reducing the fiscal deficit in its first full year of implementation, the catastrophic impact of Hurricane Matthew in 2016 elevated the deficit ratio to over 5.0%—marking the highest deficit ratio ever recorded in the history of The Bahamas up to that point.

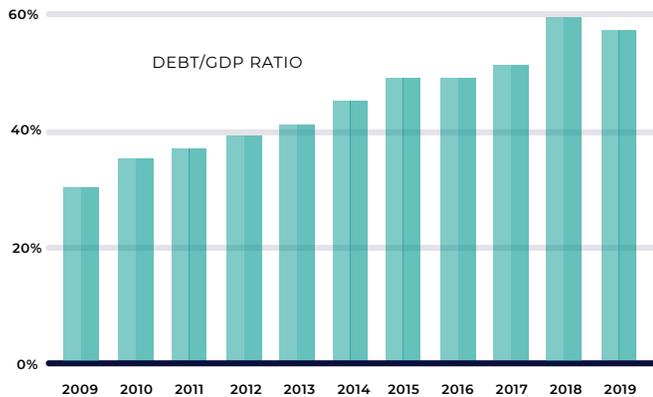
In 2018, the current Administration enacted the Fiscal Responsibility Act, 2018, (FRA) which mandated fiscal targets for the deficit to GDP ratio to decline from over 5% to 0.5% in four years, and to reduce the debt to GDP ratio from 57% to a more sustainable level of no more than 50% over the next 10 years. The Act is intended to ensure that Administrations commit to fiscal discipline to achieve the desired convergence of fiscal and debt indicators to more sustainable levels.

⁴ Ministry of Tourism, Department of Research & Statistics



*Budget/Forecast
SOURCE: Ministry of Finance

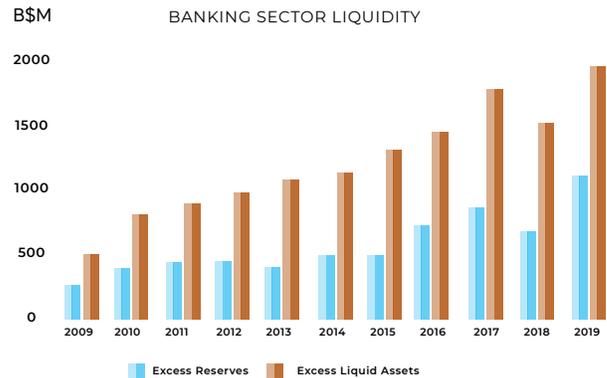
Upon the enactment of the FRA, the Government achieved a reduction in the fiscal deficit to 1.7% of GDP in FY2018/19, in line with the prescribed fiscal target. A deficit of 1.0% of GDP was originally estimated for the subsequent fiscal year; however, this was disrupted by the September 2019 passing of the strongest and most dangerous hurricane to hit The Bahamas. As a result of Hurricane Dorian, and



more recently, the impact of COVID-19, the deficit ballooned to \$788.1 million or 6.5% of GDP at the end of FY2019/20. The elevated spending and weakened revenue receipts as a result of the two external shocks are expected to continue over fiscal year 2020/21, underpinning the projected \$1.3 billion deficit, which equates to some 11.6% of GDP.

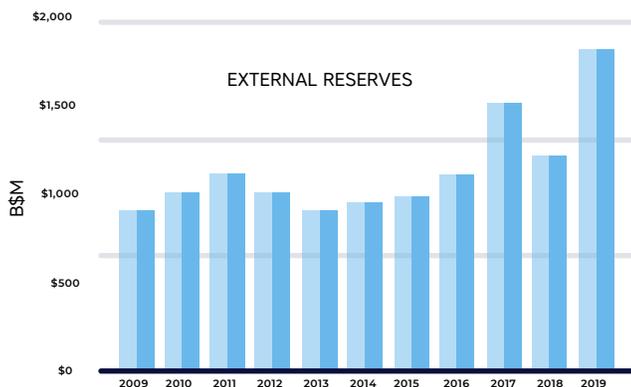
Monetary Developments

In monetary developments, the Central Bank of The Bahamas, through its use of monetary policy, has sought to support a stable and supportive environment for credit and economic indicators. Over the past decade, banking sector liquidity has steadily increased, and domestic banks have remained adequately capitalized. In addition, the level of external reserves has registered steady growth, supported by positive tourism and FDI developments flows, as well as reinsurance inflows following hurricanes in 2017 and 2019. This has supported the 1:1 peg with the United States dollar, which the country has held since 1966.



SOURCE: Central Bank of The Bahamas

As for developments within the financial services sector, the estimated balance sheet size of financial sector operations was expanded in 2019. The asset base of the domestic banking sector grew by 7.4% to \$10.7 billion in 2019, a turnaround from a 2.4% contraction in 2018 and an average of 0.4% over the past five years, amid a rise in holdings of Government Treasury bills and other classified assets. Assets of the international banking sector also increased by 1.1% to \$167.9 billion—a reversal from a 1.5% decline in 2018⁵.

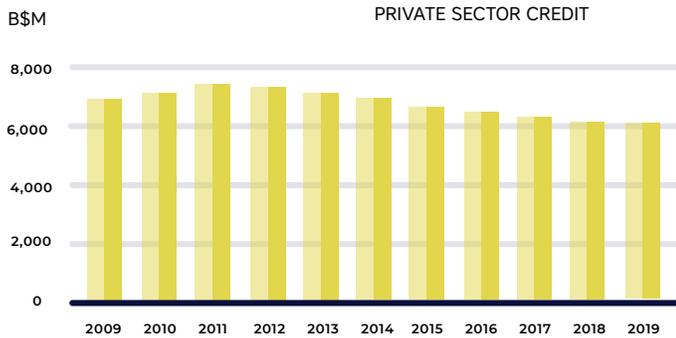


SOURCE: Central Bank of The Bahamas

Despite the highly liquidized banking sector, private sector credit has decreased over the past decade, as a result of banks' conservative lending stance, given the elevated level of arrears following the financial crisis. As consumers experienced difficulty in servicing their debt amid the downturn in economic activity in 2008 and 2009, the ratio of arrears to banks' loan portfolio grew from 12.7% to 17.8% in just one year, driven primarily by an increase in mortgage arrears. Though banks worked diligently to mitigate the increase in arrears with engaging portfolio exercises, their lending stance has remained conservative for new borrowers.

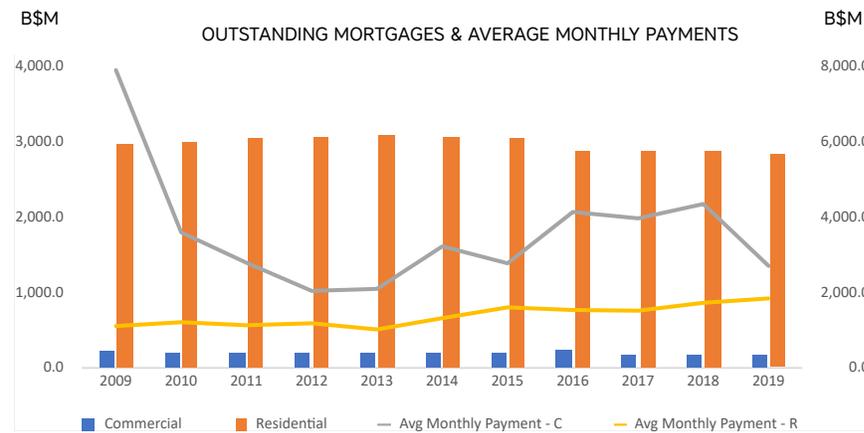
5 "Gross Economic Contribution of the Financial Sector in The Bahamas (2019)." Central Bank of the Bahamas, <https://www.centralbankbahamas.com/viewPDF/documents/2020-07-09-03-06-55-Gross-Economic-Contribution-of-the-Financial-Sector-2019.pdf>

The conservative lending stance of the domestic banking sector is also evident in the level of outstanding mortgages over the decade, which remained relatively stable in the seven years leading up to 2016 before tapering off. This trend was observed for both residential and commercial mortgages. However, developments in payments show a significant drop off in the average monthly payment for commercial loans in 2010, as compared to 2009, owing primarily to the impact of the global financial crisis, which resulted in businesses being unable to service their debt.



SOURCE: Central Bank of The Bahamas

While levels recovered somewhat in 2013 to 2014, mortgage lending remained volatile over the past five years, with 2019 registering a falloff which may be associated with the impact of Hurricane Dorian. Given the impact of COVID-19, banks are likely to maintain their conservative lending stance, with some institutions already having suspended lending activity temporarily in the face of the virus.

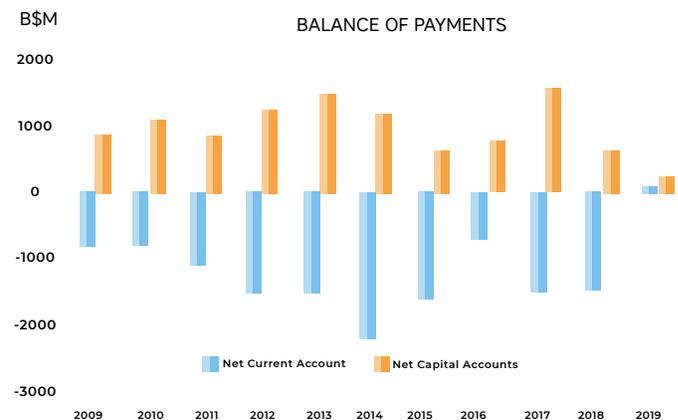


SOURCE: Central Bank of The Bahamas

Trade

The Bahamas imports most of what it consumes, which is why the current account deficit has historically held a deficit position. However, though the key export of goods (crawfish, polystyrene products, and salt) are generally low in value, exports of services are significant in comparison, given the country's primary industry. In fact, the export of services led by the stellar tourism performance in 2019, resulted in the current account recording a net surplus of \$83.7 million, a turnaround from the \$1.5 billion deficit in 2018.

The capital and financial account, however, has historically recorded net surpluses, buoyed by a number of FDI projects. These projects, in conjunction with foreign inflows from tourism expenditure, have also supported the strong level of external reserves, which underpins the peg to the US dollar.

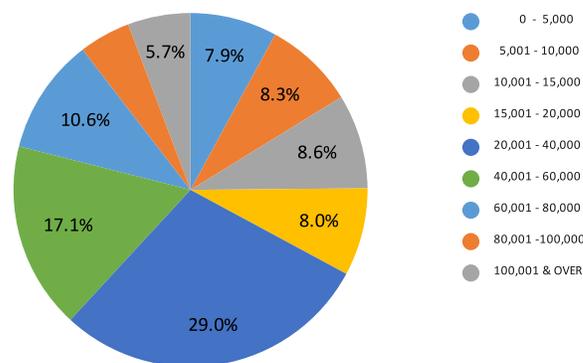


SOURCE: Central Bank of The Bahamas

Social Indicators

In 2019, 28% (31,475) of households earned between \$20,000 and \$40,000, annually while 21% (24,000) declared incomes in the \$40,000 to \$60,000 range. These are the largest household income groups within the country. On opposite ends of the spectrum, over 2,000 households earned between \$0 and \$5,000 per year, while close to 11,000 households earned \$100,000 per year or more. The median household income of \$33,352 compared to the mean household income of \$47,212 and a GDP per capita of \$29,000 in 2019 suggests that there is a significant measure of income disparity within the population.

INCOME DISTRIBUTION: ALL BAHAMAS



SOURCE: Bahamas Department of Statistics

Moreover, according to a recent Inter-American Development Bank (IDB) publication, The Bahamas scores highly on the Human Development Index, which signals broad access to social services, and has been especially important throughout the COVID-19 pandemic. In particular, The Bahamas ranks 60th out of 189 countries, which classifies it in the high human development category. Though its score of 0.805 was slightly below the average score for other countries in this category, it remains ahead of its regional counterparts, namely Jamaica and Trinidad & Tobago. In addition, the report showed that The Bahamas also ranked fairly well on the Gender Inequality Index (GII) coming in at 76 out of 162 countries. Together, these indicators show that The Bahamas has a broad reaching social protection system, which allows widespread access to education and health.

Regional Comparison

A regional comparison of macroeconomic indicators for 2019 showed that The Bahamas held the highest GDP per capita of the seven Caribbean countries examined, and the third highest projected real GDP growth. The structural advances the country has made in comparison to its counterparts are evident. Notably, The Bahamas has not undergone any debt restructuring or any other structural programs under the International Monetary Fund (IMF), and has the third lowest debt to GDP ratio among the comparative countries.

However, the unemployment rate in The Bahamas is among the highest in the region. In addition, The Bahamas' government revenue as a percentage of GDP remains relatively low, compared to the regional average of 25%. Nevertheless, against the backdrop of the country's recent efforts toward fiscal consolidation, it holds the second lowest public expenditure ratio when compared to its regional counterparts.

TABLE 1:
MACROECONOMIC INDICATORS: A REGIONAL COMPARISON (2019)

	BAHAMAS	BARBADOS	BELIZE	DOMINICA	HAITI	JAMAICA	TRINIDAD & TOBAGO
Real GDP (%)*	1.2	-0.1	2.7	9.4	0.1	0.1	0.0
GDP per capita (US\$M)*	29,915	18,069	4,925	8,380	784	5,460	16,365
Unemployment (%)*	10.0	10.4	9.9	-	-	8.5	4.8
Inflation (%)*	2.5	1.9	1.2	1.6	17.6	17.6	0.9
Govt Expenditure/GDP (%)	19.9	31.2	30.3	41.4	14.7	29.4	34.1
Debt/GDP (%)*	21.7	27.9	31.4	49.4	17.2	29.3	34.1
Real GDP (%)	61.5	115.4	93.0	76.8	36.5	93.5	49.7

*Projected

SOURCE: Bahamas Department of Statistics, International Monetary Fund (IMF)

Conclusion

As a small and open economy, The Bahamas has made strides since its Independence in 1973, in the developmental, economic, monetary and fiscal spheres. Specifically, its main industry has held its pace as a key earner for the domestic economy while the reforms in the legislative and regulatory spaces have propelled a stronger positioning of the financial services sector even as the size of the sector has contracted in recent years. Notwithstanding these advancements, economic performance—particularly over the past decade—has been characterized by a series of crises, from the global financial crisis in 2008/2009, to the most recent COVID-19 pandemic in 2020, and a number of natural disasters in between. These crises have compounded effects. They trigger higher unemployment levels, which in turn restrains consumption levels within the domestic economy. Such crises tend to require unanticipated government spending either to repair damage to physical property, as in the case of hurricanes, or to provide services beyond those which were budgeted, as in the case of COVID-19. Given the natural and economic shocks of recent years, economic and financial indicators over the last decade have featured relatively low growth, high unemployment, and increasing fiscal deficits.

Moreover, apart from hampering economic growth and development, this recent series of crises have further highlighted the long-standing need for structural reform to address a number of persistent weaknesses that hamper steady and consistent economic growth. For example, data on the distribution of income, when compared to the GDP per capita measure, suggests that there is a level of income disparity in The Bahamas. The fiscal performance over the last decade has been characterized by relatively high deficits and escalating debt trends which underscore the need for further fiscal reform efforts. In addition, while there has been some positive movement in updating key legislative and regulatory frameworks, the pace of public sector reform and the improvements in the 'ease of doing business' has still lagged. In particular, the current processes for engaging and transacting with the public sector are often perceived as onerous, archaic and inefficient.

The Bahamas' macroeconomic indicators have remained robust in comparison to its regional counterparts over the years. However, as a region, the Caribbean still lags behind a number of its international counterparts. For example, in its 2019 Economic Outlook for Southeast Asia, China and India, the Organization for Economic Co-operation and Development (OECD) noted that over the past seven years, growth in the ASEAN-10⁷ region remained at over 5.0%, and is poised to grow by an annual 6.1% for the 2019 to 2023 period. This is against the backdrop of vibrant job markets, which sustain demand levels. While the impact of COVID-19 is poised to dampen these projections, the average still remains robustly higher than the growth rates registered in the Latin America and Caribbean region, which averaged less than 1.0%⁸ in 2019.

The disparity in performance is evidence of the structural impediments that characterize the Caribbean region. For The Bahamas, in particular, the impediments to robust and sustained growth are rooted in structural deficiencies, especially where commerce is concerned. This was highlighted in the World Bank's 2020 Ease of Doing Business Index, where The Bahamas ranked 119th out of 190 countries, dropping one notch from its 2019 ranking. Despite efforts to increase the ease of doing business, structural impediments such as high levels of bureaucracy within the public sector, among others, have hindered this.

The recommendations provided in this report are to be viewed against this backdrop, as they seek to address the structural issues the country presently faces, while providing impetus for economic growth in the immediate to short-term.

⁷ ASEAN-10 countries include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam.

⁸ World Bank, 2020

CHANGING THE STATUS QUO

The Bahamas' economic recovery is largely predicated on the ability of its policymakers and private sector leaders to innovate and challenge the status quo. To do this requires non-traditional thinking and a number of paradigm-shifts across several sectors, which can only be achieved through transformative policies and bold thinking.

This kind of thinking resonates throughout this report, which includes transformational initiatives such as:

- The establishment of a Sovereign Wealth Fund and an accompanying National Infrastructure Fund that will mobilize public assets and private capital to generate hundreds of millions of dollars in infrastructure investments across the country every year.
- An ambitious goal to increase the agriculture and fisheries sector's contribution to GDP 8-fold over the next decade from \$150M per year (1.5 percent of GDP) to a minimum of \$1.2 Billion (10 percent of GDP) by setting and following through on targeted public and private investments in these sectors.
- The legalization of Cannabis with the objective of ending the punitive impact on young Bahamians, to free up public law enforcement and judicial resources, and to provide a lucrative niche within the agricultural and leisure commercial segments.
- The enhancement of support for Bahamian entrepreneurs and artisans through targeted investments in the shared and orange economies - involving a Bahamian digital commercial marketplace and investment capital to allow them to invest in the vacation home rental market or set up in special business incubators
- The transformation of the country's Investment Regime to allow for faster consideration and approval of Bahamian and foreign investments and greater concessions for Bahamian entrepreneurs and small businesses.
- The recasting of the International Financial Services Industry to provide specific and enhanced focus on new lines of business
- The creation of documented development plans for the Family Islands, elements of which are to be funded through the Sovereign Wealth Fund.

The ERC believes that the time is now for an economic renaissance and offers this comprehensive prescription of actions to facilitate this re-birth.

PRELIMINARY RECOMMENDATIONS FOR IMMEDIATE RECOVERY

In late August, the Economic Recovery Committee (ERC) convened at the request of the Prime Minister to chart a number of recommendations for immediate recovery, given the second wave of COVID-19 cases and its resultant social, health and economic impact. In response, the ERC presented the following recommendations to help jumpstart the economy within the next six (6) months:

Immediate Prospects for Economic Growth (submitted August 22 , 2020)

The ERC also presented a number of other recommendations for the Prime Minister's consideration to help stimulate economic growth in the immediate term, by providing increased social support through various measures. These recommendations include:

1. As resources permit, accelerate execution of public infrastructure and construction projects, especially smaller scale projects that benefit multiple smaller firms and contractors.

Economic Impact: High
Timeline: Immediate
Report Reference: ERC Report to PM

2. Consider and make a determination on all existing applications for building permits and other regulatory requirements within the next 20 days to speed up construction projects. Make use of outsourced agents to facilitate approvals if necessary.

Economic Impact: High
Timeline: Immediate
Report Reference: ERC Report to PM

3. Accelerate and expedite approvals of all Bahamian and International projects under consideration by the Government. Catalogue the status of all projects in the pipeline and seek to facilitate approvals within 30 days, with the help of outsourced evaluations if necessary.

Economic Impact: High
Timeline: Immediate
Report Reference: ERC Report to PM

4. Extend Unemployment Benefit Payments, subject to available fiscal resources. To avoid social dislocation, seek to extend Unemployment benefits payments at a reduced subvention rate at the end of the current 13 weeks (i.e. from \$150 per week to \$75 per week).

Economic Impact: High
Timeline: Immediate
Report Reference: ERC Report to PM

5. Extend Tax Credit/Tax Deferral Program & Execute Additional Business Continuity Loans & Grants. The current TC/TD program is set to expire at the end of September. Extend it for an additional three months. Execution of another round of Small Business Continuity Loans and Grants will provide critical new capital to small businesses impacted by the pandemic.

Economic Impact: High
Timeline: Immediate
Report Reference: ERC Report to PM

6. Suspend the \$500 Personal Border Tax allowance for Returning residents for a period of six months. The Border tax allowance of \$500 per traveller encourages persons to travel and shop abroad. To discourage shopping trips and to promote domestic purchases, the allowance should be suspended for a period of six months.

Economic Impact: High
Timeline: Immediate
Report Reference: ERC Report to PM

7. Provide direct Government support for the immediate establishment of a Bahamian national digital marketplace to provide an online platform for the buying and selling of local goods within The Bahamas and internationally. This e-commerce platform will not only allow the public to maintain social distancing measures but will also allow for local businesses to benefit from sales even when social movement is restricted. In addition, a digital market will allow for global sales, thereby earning foreign currency inflows for the country.

Economic Impact: High
Timeline: Immediate
Report Reference: ERC Report to PM

Extended Stay Visa Program (submitted August 22 , 2020)

As an early deliverable, the ERC presented a proposal for an Extended Stay Visa program to the Cabinet of The Bahamas, who subsequently approved the project for rollout. Given that the COVID-19 pandemic has seen more persons working remotely, and the changes in the United States' student and visitor exchange program, the ERC feels that the country is ideally suited to accommodate "long term" visitors who wish to work remotely from within The Bahamas.

This program will not only increase revenue receipts to the Public Treasury, but will also help to boost consumption levels, while supporting a number of Bahamian-owned businesses in the private sector, and in particular, the Shared Economy.

To materialize the potential benefits of this program, the ERC recommends:

1. Prioritize the Processing of Extended Stay Visa Applications.
 - a. Bring together a dedicated team to process Annual Residence Applications
 - b. Utilize technology to expedite the process. To the extent that manual processes can be eliminated this should be done
 - c. Fast-track Applications for Annual Residence with a target of 14-day turnaround for persons wishing to work remotely or students

Economic Impact: **High**

Timeline: **Immediate**

Report Reference:
Extended Stay Visa Brief

Economic Permanent Residency (submitted August 11 , 2020)

The ERC also presented a number of suggestions with respect to the country's Economic Permanent Residency Program, and how the efficacy & extracted value of such a program could be enhanced.

These recommendations were presented for consideration, and include the following:

1. Reintroduce a policy for expedited processing of EPR applications where a high-value residence/investment is supporting the application.

Economic Impact: **High**

Timeline: **Immediate**

Report Reference:
Extended Stay Visa Brief

2. Increase Permanent Residency Fees in an effort to generate additional government revenue. Such a fee increase should be accompanied by a review of the approval process to identify opportunities for efficiency gains and a stipulation/guaranteed processing time of 90-days from the date of submission of a completed application.

Economic Impact: **High**

Timeline: **Immediate**

Report Reference:
Extended Stay Visa Brief

3. Expedite Permanent Residency status with a Foreign Direct Investment (FDI) project as a way of attracting foreign currency to The Bahamas. Such a strategy could also be applied to the second home market.

Economic Impact: **High**

Timeline: **Immediate**

Report Reference:
Extended Stay Visa Brief

INTRODUCTION TO THE RECOMMENDATIONS

The Economic Recovery Committee was appointed to identify challenges and develop recommendations that would, in the words of Co-Chair Marlon Johnson, 'build a resilient and dynamic Bahamian economy that spurs inclusive growth and allows businesses across sectors to emerge from the pandemic stronger than before'. Committee Co-Chair Kenwood Kerr further adds that the recommendations should help build 'a modern Bahamian economy - that is stronger, resilient, diversified, future driven and fully integrated. A Bahamas with robust free enterprise, entrepreneurial opportunities, highly skilled labour, adequate job opportunities, and sufficient social safety protection mechanisms for the disadvantaged and marginalized'.

The future is one in which the Bahamian economy is resilient, dynamic, inclusive and sustainable.

Each sub-committee has now produced a detailed report about the needs of the sector under their purview. This Executive Report aims to be a summary of their work. It identifies the major recommendations emanating from all the sub-committees and regroups thematically in line with their contributions to each of the four markers of the new economy: resilience, dynamism, inclusion and sustainability.

In this summary report, recommendations are preceded by a brief problem statement that provides the necessary context behind the recommendation. *Each is accompanied by an estimate of the level of impact it would have, and the projected time needed for execution. The source sub-committee is also identified.*

Undoubtedly, the recommendations emerging from each sub-committee are the result of a series of thought-provoking brainstorming sessions, intimate consultation, and thorough review by not only the subject matter experts that span the Committee, but also within public and private spheres. However, while these recommendations are intended to underpin recovery, it is important to note that they do not reflect, nor are they intended to dictate the broader socio-economic policy plan of the Government. As mandated, the Economic Recovery Committee is submitting a list of recommendations it deems will underscore a resilient, dynamic, inclusive and sustainable Bahamas, to the Prime Minister and his Cabinet for consideration. The policy decisions that may emerge as a result of the recommendations of the ERC must be left to the discretion of the Cabinet and Parliament of The Bahamas, as appropriate.

A Resilient Economy

What is it?

Resilience refers to characteristics of an economy that enables it to recover from economic shock relatively quickly and smooth out the effects of economic downturns. Resilience also refers to the capacity of citizens to absorb and rebound from economic hardship brought on by unforeseen events.

Economic Stability

The onset of the COVID-19 global pandemic has elevated economic stability risks. Economic stability creates certainty and confidence and is the foundation upon which all other macroeconomic objectives are achieved. The COVID-19 global pandemic represents the single largest threat to the country's economic stability in recent times and is projected to slash GDP growth projections for the country by double digits.

As a result, the Government of The Bahamas must treat stabilization of the economy as its chief priority moving forward by adopting policies that promote risk mitigation, stability and sustainable growth.

To this end, the Economic Recovery Committee offers the following recommendations:

1. Maintain external sector stability, by lowering the risk of exhaustion of the foreign reserves and loss of the exchange rate peg, through strategies that optimally balance the foreign currency mix of deficit financing and administrative/regulatory reforms, which accelerate the receipt of inflows from expanded investment flows and from non-tourism activities.
2. Stabilize the government's fiscal position by identifying targeted revenue and expenditure policy changes which generate financial savings to the government over time.
3. Adopt new medium-term fiscal consolidation measures, through legislative changes which lock in increased fiscal credibility and strengthen near-term ease of access to international credit markets.
4. Obtain endorsements and support for the country's economic stabilization and fiscal consolidation strategy from multi-lateral bodies to undergird domestic and international investor confidence in The Bahamas.



Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Structural Reform

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Structural Reform

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
Structural Reform

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
Structural Reform

Economic Vulnerability

The Bahamian economy is extremely vulnerable to economic shocks due to its primary reliance on two (2) sectors, and the prevalence of natural disasters, which ultimately undermines resiliency efforts.

At a policy level, the Government of The Bahamas must design an appropriately robust framework to address resiliency in the face of disasters, natural and other, and embed it into the Government's operations. Such a framework better positions the country to withstand disasters like global pandemics and catastrophic hurricanes. In addition to this, the Government of The Bahamas should seek out viable opportunities to diversify the economy.

Without economic diversification, The Bahamas will remain extremely vulnerable to external shocks such as the COVID-19 global pandemic. To support both domestic production-related (i.e. driving the reallocation of resources across industries) and trade-related diversification (i.e. exporting new or better products), policymakers must focus on four (4) key elements:

- The supply of appropriate incentive frameworks;
- Investment and policy reforms targeted at reducing trade costs;
- Effective policies to support the adjustment and reallocation of resources towards new activities; and
- Government interventions directed at specific market, policy, and institutional failures.

To this end, the Economic Recovery Committee offers the following recommendations:

1. Introduce Sovereign Wealth Fund (SWF) legislation with a provision for a separate National Infrastructure Fund. The proposed SWF would be underpinned by holdings of crown land and commercial real estate owned by the Government and will be mandated to mobilize private capital flows to enhance the country's infrastructure as a support mechanism for resiliency.

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Structural Reform

2. Prepare a Disaster Resilience Policy (DRP) which takes into account the broad current and projected macroeconomic conditions. The DRP, which would provide a roadmap for policy design and prioritization, should cover structural resilience, financial resilience and post disaster resilience. Once drafted, the Multilateral Financial Institutions should be invited to review and provide feedback.

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Structural Reform

3. Undertake a comprehensive audit of each island's infrastructure with a view to determining the cost (or investment) required to make these islands more resilient. The audit should include estimates of upfront costs and maintenance over defined periods and the economic benefits derived from such investments.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
ERC NIF

4. Institute a policy framework for Catastrophic Insurance Coverage including the following key elements:

- The Consolidation of Administration of all CAT policies
- The establishment of a Natural Disaster Threshold
- Multiple layers of exposures for CAT losses to reduce the overall premium

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Structural Reform

5. Facilitate the development of privately issued micro-property insurance policies with face amounts of \$5,000 to \$15,000 for people who meet specific criteria. Notwithstanding the need for government subsidization, doing so should yield net cost-efficiencies in the near to medium term.

Economic Impact: **Medium**
Timeline: **Short Term**
Report Reference:
Structural Reform

6. Introduce means-testing for post disaster assistance to ensure that only the individuals who actually need assistance in the aftermath of a natural disaster receive it. Doing so will alleviate the burden of providing assistance to individuals who, through private insurance, are covered for things like debris removal and alternative accommodations but do not lay claim against that coverage.

Economic Impact: **Medium**
Timeline: **Short Term**
Report Reference:
Structural Reform

7. Consolidate the operations of the Disaster Recovery Authority & NEMA given the significant overlaps between NEMA and the Ministry of Disaster Preparedness Management & Reconstruction. The consolidation of these operations is likely to yield both cost and efficiency gains.

Economic Impact: **Medium**
Timeline: **Short Term**
Report Reference:
Structural Reform

8. Incorporate clauses related to securing moratoria on loan payments following major hurricanes into loan/bond agreements. Such provisions soften the fiscal challenges arising from exogenous events like hurricanes.

Economic Impact: **Medium**
Timeline: **Short Term**
Report Reference:
Structural Reform

9. Alongside other mitigation efforts, make the purchase of hurricane insurance mandatory for developed private property. Consider establishing a Government sponsored national property insurance programme for lower-income households, using the real property tax collection system to levy and collect premiums for the programme.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Financial Services

Trade Deficit

The Bahamas remains an import-oriented economy with a substantive trade deficit.

Inherently, trade deficits are neither good nor bad; however, for a country like The Bahamas, sustained trade-deficits constitute considerable risk largely because of the country's susceptibility to large economic shocks like natural disasters and global pandemics, as well as a fixed exchange rate regime. Because of this, some research suggests that vulnerable economies like The Bahamas should seek to, on average, run trade surpluses as a form of precautionary savings.

While export markets do exist primarily in the Tourism and Financial Services sector, and secondarily across a number of industries (e.g. Passenger & Cargo Ships, Refined/Crude Petroleum, Nitrogen Heterocyclic Compounds, Crustaceans, and Styropolymers), the total value of imports significantly outweighs the total value of exports (for context, the deficit stood at approximately 2.17 billion dollars in 2019).

To address these issues, The Economic Recovery Committee offers the following recommendations:

1. Develop and adopt a comprehensive Trade Policy which examines the specific circumstances of the country's trade and development problems, while at the same time identifying (and prioritizing) high-impact opportunities. A key element of this framework should include a work-scope to complete WTO accession in an effort to further support the Government's policy objectives.

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
Structural Reform

Such a framework should take into consideration the comparative trade advantages of the country with a view to developing a long-term strategy to leverage such advantages, while also removing structural impediments to international trade. The engagement of a body such as The United Nations Conference on Trade and Development to provide technical assistance to develop a TPF could possibly expedite this process.

This is a key consideration in the push toward the development of export markets and, by extension, economic diversification.

2. Identify opportunities to leverage exchange-rate driven trade with our regional counterparts by first engaging regional trade promotion bodies (e.g. the Caribbean Export Development Agency). Such opportunities could lead to a more favourable balance of payment positions in the future by expanding trade within our immediate region.

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
Structural Reform

3. Revise the mandate of the Bahamas Bureau of Standards and Quality to include the expediting of standards and quality controls for locally produced and manufactured products to be able to compete as part of a global value chain.

Economic Impact: **Medium**

Timeline: **Medium Term**

Report Reference:
**Commerce, Entrepreneurship
& Youth Engagement**

4. Modernize the Post Office to facilitate the exports of products produced by micro and small businesses. One option to achieve this is to outsource the management of the Postal Office via a Public-Private Partnership arrangement.

Economic Impact: **Medium**

Timeline: **Medium Term**

Report Reference:
**Commerce, Entrepreneurship
& Youth Engagement**

Personal and Family Financial Resiliency

There is an apparent need to boost financial resilience amongst Bahamians, to empower them to be able to withstand times of uncertainty, as is the case in the aftermath of the COVID-19 pandemic.

The greater the level of financial resilience amongst Bahamians, the less reliant they are on the state, which ultimately creates fiscal space for the Government to address its medium-term prospects for growth. In addition, having a robust level of financial resiliency will mitigate—to some extent—the negative economic impact external shocks can have on the domestic economy, as more people will have financial buffers thereby supporting continued consumption and economic growth.

To this end, the Economic Recovery Committee offers the following recommendations:

1. Imposing economy-wide regulations on maximum leverage and debt service ratios allowed in personal lending (mortgages and consumer credit, based on Central Bank prescribed prudential limits), and allow the credit bureau to replace the current reliance on salary assignments for personal loans.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Financial Services

2. Through Central Bank and Ministry of Finance efforts, establishing a national savings scheme for incremental retail-level investments in Government bonds. Also, requiring domestic banks to develop a more attractive thrift product, such as limited functionality savings accounts.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Financial Services

3. Enacting or instituting national pension legislation, regulating an increase in mandatory pension coverage, both through the National Insurance Scheme and private arrangements—the latter with savings portability.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Financial Services



A Dynamic Economy

What is it?

A dynamic economy is anchored in innovation and the embracing of technology, employing strategies for growth and improved ease of doing business.

Grand Bahama

Grand Bahama has experienced a significant decline in growth and development.

Grand Bahama has historically represented an integral component of The Bahamas' growth and development model. In recent times, however, the island's economy has experienced contractions and sluggish growth, which has in-turn led to pronounced depopulation and brain-drain.

Consequently, addressing the structural issues that have impeded economic growth and job creation on this island is vital, and requires both bold and transformative thinking.

To this end, the Economic Recovery Committee offers the following recommendations:

1. Assess the Grand Bahama Port Authority's suitability to carry out its developmental and promotional mandates, including a review of the entity's financials. If it is determined that the agency is unable to fulfil its mandate, then the appropriate action on The Government's behalf should be taken to address this issue.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Structural Reform

2. Gradually devolve the rights, powers and obligations presently held by The Grand Bahama Port Authority to a Local Authority comprised of current GBPA Licensees, Port Group Ltd. representatives, and central/local government representatives.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Structural Reform

3. Obtain urgently the governmental ownership and control over the Grand Bahama International Airport via negotiation with the GBPA and other lawful means.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Structural Reform

4. Urge the Grand Bahama Development Company Limited (DEVCO) to develop and publish a Master Development (or Land Use) Plan in order to ensure that the land granted by the Colonial Government is being developed in alignment with the provisions set out in The Hawksbill Creek Agreement.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Structural Reform

5. Pass legislation or gazette the relevant legislation to evidence that the tax concessions granted to the GBPA and its licensees, which expired on August 4, 2015, have been extended. The lack of formal legislation evidencing the extension of tax exemptions is creating uncertainty among Licensees and Prospective Licensees of the GBPA and may serve as a hindrance to future investment.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Structural Reform

Family Island Infrastructure

There is a lack of infrastructure development on the Family Islands, which hampers business activity and hinders other developmental growth prospects, such as FDI projects.

The Inter-American Development Bank (IDB) has projected that in order to get to and sustain real economic growth of 3 percent or more annually, The Bahamas will require more than \$500 million per year in infrastructure development. The absence of sustained and substantial investment in infrastructure improvements - especially in the Family Islands - will hinder the prospects for economic recovery and growth within these islands and nationally.

Addressing the infrastructure deficit that exists in the Family Islands is an absolute requirement to meeting the goals of expanded commerce, more tourist traffic, increased agriculture and fisheries exploitation and ultimately, more economic opportunities for residents of the islands. Leveraging private sector capital to permit expansion of airports, docks, medical facilities, and data connectivity infrastructure will unleash the potential of these islands with all of the attendant benefits these opportunities will bring.

1. Prioritize immediate commencement of PPPs for completion of all new airports and renovations to existing ones.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Family Island Development

2. Prioritize the provision of crown land to Bahamians looking to invest in the Family Islands through sale, lease and partnership arrangements with allowances for Bahamians to ultimately own said land through lease or partnership arrangements.

Economic Impact: **Medium**
Timeline: **Medium Term**
Report Reference:
Family Island Development

3. Leverage the findings of the proposed 'Infrastructure Audit' to develop and publish land-specific scalable infrastructural development plans, which include, at a minimum, airport facilities, medical facilities, internet facilities and others.

Economic Impact: **Medium**
Timeline: **Medium Term**
Report Reference:
Family Island Development

4. Allow the private sector to develop competing transportation connectivity solutions that facilitate economic expansion in the southern islands that are dependent on adequate access.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Family Island Development

5. Reduce the number of hotel rooms to qualify as a hotel in the Family Islands for purposes of the Hotels Act and Hotels Encouragement Act to two (2) guest rooms to encourage a quick increase of guest room inventory in the Family Islands.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Family Island Development

6. Allow councils to apply fees (i.e. public space usage, garbage collection, traffic infractions, etc.) to raise funds to support infrastructure and development. A portion of funds raised through this method or by assisting with collecting taxes in arrears will be allocated for reinvestment into the local community by local government in concert with the community stakeholders.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Family Island Development

7. Expand access to taxi, car rental and tour licenses and prohibit the rental of taxi/rental plates, as the current structure has been leading to social strife and inequitable commercial arrangements.

Economic Impact: **Low**
Timeline: **Short Term**
Report Reference:
Family Island Development

Tax Structure

The Bahamas' historically regressive tax regime is viewed largely as both inequitable and unsustainable.

Tax contributions are disproportionately higher for lower-income citizens/businesses largely because of the regressive nature of the country's tax regime. Beyond this, the sustainability of the current regime in light of population growth, the rising cost of living and other factors, remains an impediment to its growth and development prospects.

To address this issue, The Economic Recovery Committee offers the following recommendations:

1. Change the business license fee model to calculate total tax contributions on the basis of 'gross profits' instead of 'business turn-over'. Pursuing this recommendation is likely to:

- Remove distortions created by the current fee model, which have led to disparities across a number of sectors in terms of fees paid relative to turnover;
- Preserve and/or increase revenues collected currently from business taxation;
- Broaden the tax base; and
- Increase equity across several sectors.

Economic Impact: **Medium**
Timeline: **Medium Term**
Report Reference:
Structural Reform

2. Expand the reach of Real Property Tax by increasing the tax ceiling on high end properties, introducing Real Property Tax to higher end Bahamian properties on the Family Islands with funding of the same to support Family Island councils in those islands.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Structural Reform

Insolvency Regime

The country's laws governing the financial affairs of an individual who has become insolvent, called the bankruptcy laws, are antiquated, near punitive, and non-rehabilitative, in that they do not help in the financial recovery of the insolvent individual.

While the laws governing the financial affairs of an insolvent company are, in most respects, a modern liquidation and dissolution regime, they are incomplete as they do not go as far as to provide a rehabilitative component towards the financial rescue and recovery of a company to allow for restoration as a financially viable entity.

Collectively, these are considered deficiencies in the 'insolvency regime' which result in prolonged personal hardship for insolvent individuals, and the loss of insolvent enterprises which may otherwise be able to recover and contribute to the wellbeing of society and the economy.

Modern insolvency laws facilitate the extension of credit while also enabling growth in the private sector.

The reform of the country's insolvency regime should be treated as a priority for economic recovery.

The Economic Recovery Committee recommends the following:

1. Repeal and replace the Bankruptcy Act with a modern insolvency regime governing individual insolvency and amend the Companies Act to introduce 'corporate rescue' procedures. As an alternative, the Government of The Bahamas may wish to introduce a unified modern insolvency regime governing both individual and corporate insolvency, similar to what now exists in England.

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Structural Reform

2. Suspend the filing of any bankruptcy and compulsory liquidation proceedings against an individual and company, respectively, for a prescribed period with respect to insolvencies which are due to the economic crisis resulting from the Covid-19 pandemic. This would temporarily give businesses breathing space to make arrangements with creditors towards surviving this crisis and also allow time to implement insolvency law reform.

Economic Impact: **Medium**

Timeline: **Short Term**

Report Reference:
Structural Reform



Business Climate

The perception of the business climate in The Bahamas is that it does not adequately encourage innovation, investment or efficiency. As a result, The Bahamas has lost some of its jurisdictional competitiveness over the years, as reflected by its performance on the Doing Business Index.

A jurisdiction that is perceived to be efficient, innovative and open to investment is more likely to attract capital and inspire investor confidence. If the Bahamas wishes to improve its growth prospects, then a close examination of the business environment must be properly balanced against the macro-economic factors which ultimately facilitate growth and development.

The creation of such an environment also allows for new and innovative business models, which may further support the government's economic diversification efforts.

To address this issue, The Economic Recovery Committee offers the following recommendations:

1. Accelerate the short, medium and long-term strategies identified by The Ministry of Finance to improve the country's performance on The Doing Business Index, which include inter alia:

- The streamlining of the company incorporation procedures;
- An overall reduction in the number of requirements needed to start a business;
- The complete launch of online NIB payments;
- The development of a legal framework in support of a moveable asset collateral asset registry;
- The procurement of an electronic system to more efficiently process construction permits; and
- The digitization of land title certificates and cadastral plans.

Economic Impact: **High**

Timeline: **Medium Term**

Original Report Reference:
N/A

2. Simplify tax procedures through a number of strategic reforms. Such reforms include a simplification of VAT filing forms, the streamlining of audit requirements for SMEs, and the granting of allowable duty exemptions on an annual basis (instead of every 6 months).

Economic Impact: **High**

Timeline: **Long Term**

Report Reference:
Commerce, Entrepreneurship & Youth Engagement

Transforming Investment in The Bahamas

Expanding access to opportunities for domestic investment is a key step in creating a dynamic economy that promotes Bahamian ownership. Developing innovative pro-ownership policies and identifying and removing barriers to access will empower the Bahamian people to actively participate in domestic investment opportunities.

When it comes to Foreign Direct Investment, the Government of The Bahamas is plagued with certain operational inefficiencies and structural bottlenecks that slow down the processing of Foreign Direct Investment applications and, by extension, hamper capital flows.

As a large earner of foreign currency, foreign direct investment projects by and large support the level of external reserves, which ultimately back the 1:1 pegged exchange rate to the U.S. dollar. In addition, these projects also help to create thousands of direct and indirect jobs for Bahamians and residents, which helps to support economic consumption, and to a larger extent, economic growth.

To address the issues surrounding domestic and foreign investment, The Economic Recovery Committee offers the following recommendations:

1. Increase access to capital for Bahamians. The Government should invest a minimum of \$50 million per year to support small business development and expansion and expand micro-grants and microloans for small scale Bahamian entrepreneurs and tradespersons. Special funding envelopes should be set aside for disadvantaged or marginalized segments of the population, such as:

- Persons below or near the poverty line
- Bahamian Youth
- Family Island Communities

2. Implement legislation to facilitate and support crowd sourcing and junior stock markets to expand access to capital by Bahamian businesses.

3. Create a new statutory body called 'Invest Bahamas' to facilitate the investment process from conception to implementation. This new independent agency will include the BIA as the promotional unit. A New Investment Area Units and Policy and Research Unit will be established for the collection and provision of insight from FDI statistics, and to produce the annual report. Invest Bahamas will increase the staff complement with more diverse staff as it relates to expertise. The focus of the projects approved under Invest Bahamas should be on high-tech (FinTech, Biotech, Distributed Ledger Technology), alternative/renewable energy, and sustainability/climate adaptability.

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Invest Bahamas/FDI

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Invest Bahamas/FDI

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Invest Bahamas/FDI

4. Adjust the requirement for classification of a Bahamian owned business from 60 percent of common ownership to 50 percent of common ownership. This will allow Bahamians to have greater opportunities to access international capital and expertise for the full range of economic activities.

5. Make the less developed islands of the Bahamas into Special Economic Zones for an initial period of 10 years. Under these provisions, special tax and land access concessions will be provided for investors in those islands, including lower or no Real Property Tax, Business License Fees or Duty on commercial assets and supplies.

6. Within the mentioned special economic zones only, adjust the requirement for classification of a Bahamian owned business from 60 percent of common ownership to one with 30 percent of common ownership to incentivize greater investment capital inflows in these zones.

7. Extend the current duty-free concession regime in place for manufacturing and hospitality to cover ALL small Bahamian business start-ups for the acquisition of commercial equipment and supplies during the start-up and expansion phases of their business. Make provisions for these start-ups to buy from in-country vendors at duty-free prices.

8. Create new incentives geared toward Bahamians specifically for investment in reserved areas, as well as in the fintech space, through the creation of a FinTech Incubator program, and concessions to attract Bahamian investors/talent from abroad through research and development grants, among other incentives.

9. Revise the current concession/incentive regime. Reduce concessions in developed industries i.e. reduce Real Property Tax (RPT) extension provision in Hotels Encouragement Act.

10. Amend the Government's 'FDI Mandate' to include provisions that promote confidentiality, transparency, and efficiency in the investment process. In addition, make Corporate Social Responsibility a requirement for approval of FDI projects.

11. Digitize the Investment Process such that an E-platform for investment submissions and investment approval tracking is created and made available to investors. Performance targets are to be set to allow for a 1 – 3-day timeline for acknowledgement of submission, and 7 – 14 days for approval. The e-platform should facilitate application for investment concessions, and applications to register or be permitted to acquire property. A new independent website should be created for efficiency, user-friendliness, promotional efforts, and as a better information resource for Bahamians and Non-Bahamians seeking guidance on prospective investment approval processes in the country. The website should also include a 12hr and 24hr helpdesk and chatbot to provide non-legally binding advice on investment matters, including investment immigration matters.

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Invest Bahamas/FDI

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Invest Bahamas/FDI

12. Publish the FDI Approval/Screening Process to allow for transparency in the investment process. The Screening process should reflect alignment with National Investment Policy priorities, which include but are not limited to:

- Environmental Impact;
- Economic impact;
- Minimum investment requirements;
- Target areas;
- Financial capacity;
- Fit and proper documents in good order.

Economic Impact: High

Timeline: Short Term

*Report Reference:
Invest Bahamas/FDI*

13. Revise the Role of the National Economic Council (NEC) and limit it only to the largest or most complex projects. At a minimum, the ERC proposes that projects valued under \$20 million should be processed under established standard operating procedures. The NEC should be restructured to be comprised of public and private representatives and stakeholders.

Economic Impact: High

Timeline: Short Term

*Report Reference:
Invest Bahamas/FDI*

14. Amend the Role of the Bahamas Investment Authority. BIA to serve solely as a promotional arm of Invest Bahamas – promoting The Bahamas as a country “open for business” to receive and facilitate investments.

Economic Impact: High

Timeline: Short Term

*Report Reference:
Invest Bahamas/FDI*

15. Enhance Inter-Agency Coordination. This will allow quicker approvals. Case workers should be placed at various agencies to liaise with investment officers at Invest Bahamas.

Economic Impact: High

Timeline: Short Term

*Report Reference:
Invest Bahamas/FDI*

16. Create an ‘Invest Bahamas’ Database Resource. The database will allow SME, corporate service providers, vendors and contractors to create domestic business linkages.

Economic Impact: High

Timeline: Short Term

*Report Reference:
Invest Bahamas/FDI*

17. Pass legislation in support of an ‘Entrepreneur Visa’ to attract development in high-tech, FinTech, and other determined innovative areas. Applicants should demonstrate an ability to make a substantial contribution to the economy. The visa would allow for relocation of immediate family members, among other things.

Economic Impact: High

Timeline: Medium Term

*Report Reference:
Invest Bahamas/FDI*

18. Designate industries as ‘Emerging’, ‘Underdeveloped’, ‘Moderately Developed’, ‘Developed’ and ‘Saturated’. Develop an official methodology to categorize industries in an effort to properly align concessions with economic need. For example, PRC methodology classes FinTech as emerging, Agriculture, Forestry and Fishing as Underdeveloped, Construction as Moderately Developed, and Hotels and Restaurants as Developed.

Economic Impact: High

Timeline: Medium Term

*Report Reference:
Invest Bahamas/FDI*

19. Update the legal framework to support the above recommendations by doing the following:

- Restructure the Intellectual Property Office;
- Introduce National Cybersecurity Legislative Framework;
- Modernize/digitize the court system;
- Amend Chapter 191 of The Immigration Act, 2019.

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
Invest Bahamas/FDI

20. Accelerate the digitization of intellectual property registration and digitization and interconnectivity of government agency systems. Doing so will ultimately enhance the ease of doing business and support the government's long-term growth efforts.

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
Invest Bahamas/FDI

21. Accelerate residency and immigration policy and process reform to realize the revenue-generating potential of immigration and to improve efficiency by committing to the following actions:

- Expand the grounds for economic permanent residence;
- Reform process to approve permanent residence applications;
- Expedite high value ERP applications;
- Implement Tax Residency Certificate Program;
- Aim to attract International Tax Lawyers and Cross Border Regulation experts to practice in the jurisdiction.

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
Invest Bahamas/FDI



Agriculture, Fisheries and Light Manufacturing

The output of the Agriculture and Fisheries sector has historically underperformed, contributing only 1.5% to GDP, on average, since 1984¹. For years, the country has had an ambition to increase the contribution of agriculture and fisheries. However, that ambition needs to be developed into a focused and articulated strategy with set objectives, targets and milestones.

The ERC maintains that a cornerstone of economic sustainability, reliability and dynamism is the recognition that food security is a key component of national security.

In addition to this, the ERC also believes that policy makers must take bold steps to ensure that the country is capable of producing a basket of goods which, at a minimum, allows citizens access to essential goods.

It is believed that productivity within these sectors could be much higher if certain foundational issues are addressed. Addressing these issues would likely have the effect of:

- narrowing the trade deficit;
- creating jobs; and
- supporting the Government's policy objectives in respect of economic diversification.

To address this issue, The Economic Recovery Committee offers the following recommendations:

1. Establish and publish key performance indicators around the output of the Agriculture & Fisheries sector as measured by its proportionate contribution to GDP. The ERC proposes a target of no less than 10 percent of annual GDP output within 10 years. This would increase the sector's economic value from \$150 million per year to approximately \$1.2 billion per year, representing an eight-fold increase in the contribution to the economy. To meet this objective, the Government should work with stakeholders in the sector to establish a core basket of crops, livestock and seafood products that are best suited for Bahamian commercial cultivation and production. The incentives and public sector support should align primarily with the agreed basket of items. Once the core basket of items has been determined, the government must establish, publish and monitor output appropriately.

2. Accelerate the lease of crown land through the Sovereign Wealth Fund (SWF) or other partnership arrangements to ensure stable rights of tenure on land for farmers. These arrangements could include the SWF or other vehicles providing land as an equity stake in the venture. In other words, the Government should seek a stake in the proposed farming ventures in exchange for the leasing of crown land. Lease arrangements should also be conditional and measured against certain key performance indicators and performance standards.

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
**Agriculture, Fisheries
& Light Manufacturing**

¹ World Bank Economic Indicator: Value of Output as a Percentage of GDP-Agriculture & Fisheries

3. Encourage the establishment of Breeder Farms/Broiler Hatcheries through PPP arrangements involving equity-based crown land grants and other incentives with the objective of increasing the production of poultry products in the country.

Economic Impact: **Medium**

Timeline: **Medium Term**

Report Reference:
**Commerce, Entrepreneurship
& Youth Engagement**

4. Coordinate a strategic approach to improve Bahamian farmers' access to 'production credit' via partial or whole guarantees. This should be done in conjunction with the major financing bodies in the country (e.g., the SBDC, Bahamas Development Bank, Commercial Banks, Private Investment Funds, IFIs, etc.), and should reflect the existing SBDC guarantee structure. This form of credit is vital for producers to facilitate land preparation, input supplies, transport and market access to the private sector.

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
**Agriculture, Fisheries
& Light Manufacturing**

5. Consider the creation of a PPP to facilitate the development of a Pork Fabrication Facility. The proposed fabrication facility, to be located in New Providence, will enable the seamless introduction of domestic cuts of meats to match imports. The facility will allow domestic pork products to be rendered into retail cuts to meet the demand of customers thereby enabling the integration of domestic production and the expansion of access to retail and institutional farmers and producers.

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
**Agriculture, Fisheries
& Light Manufacturing**

6. Develop, introduce, and provide ongoing support for a specific and professional brand identity for locally grown food products. Consumer behaviour has shifted in favour of locally produced food products in recent times as evidenced by the emergence of organic and whole food stores globally. A collaborative effort to market these locally produced products under "Fresh from Bahamas" represents an opportunity to take advantage of this shift in consumer behaviour.

Economic Impact: **Medium**

Timeline: **Medium Term**

Report Reference:
**Agriculture, Fisheries
& Light Manufacturing**

7. Permit greater foreign investment by expanding 'national' treatment to firms with up to 50 percent foreign participation in the Agriculture and Fisheries sector. This would permit these firms to benefit from the available concessions. Pursuing this action will allow more fluid capital flows and the exchange of expertise and skills. Changing this policy is likely to be a stimulus for the sector.

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
**Agriculture, Fisheries
& Light Manufacturing**

8. Take into consideration the recommendations put forth by the National Fisheries Association, which inter alia, include:

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
**Agriculture, Fisheries
& Light Manufacturing**

- The formation of a special contingent consisting of The Port Department and the Department of Fisheries to facilitate the registration of fishing vessels and granting of compressor licenses to fishermen;
- Funding of 'ice-making' through a PPP to supply fishermen on the islands impacted by Hurricane Dorian where access to electricity is limited;
- Provision of support to initiatives geared towards education around fishing and boat maintenance/repair in The Bahamas;

- The implementation of measures to protect the country’s supply of conch, perhaps through regularized fishing seasons and export bans;
- The digitization of the permitting process.

9. Fund research efforts to identify a comprehensive grouping of essential products that the country should seek to sustainably produce to service the domestic (and international) market. The findings of these research efforts should inform the Government’s incentive framework with respect to light manufacturing in the country.

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
**Agriculture, Fisheries
& Light Manufacturing**

10. Create an incentive framework in the form of tax concessions (e.g. raw materials/parts), export subsidies, increased import tariffs on goods that are locally produced, and legislative/policy reforms (e.g. requiring entities to spend a minimum amount with Bahamian producers as a condition to receive tax concessions) as identified by The Bahamas Light Industries Development Council.

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
**Agriculture, Fisheries
& Light Manufacturing**



The Technology Industry

The Technology Industry presents many opportunities for growth and development for The Bahamas; however, the country has yet to fully extract the value of this sector.

The Government has publicly expressed its commitment to the growth and development of a 'Tech Industry' in The Bahamas. This sector is comprised of a wide array of products & services ranging from software development to the manufacturing of semiconductors. At present, the industry accounts for less than 4% of The Bahamas' GDP².

Given the Government's policy objectives and the relatively low contribution of the sector to GDP, firm policy direction and adequate funding is vital if we are to maximize the potential of this industry as a source of growth and job creation.

To address this issue, The Economic Recovery Committee offers the following recommendations:

1. Support the development of data-centric business models by first updating the country's 'Data Protection' laws to be consistent with international best practices, including 'right to privacy', 'responsible-use' and 'breach-notification' provisions.

Economic Impact: **Medium**

Timeline: **Short Term**

Report Reference:
Digitization and The Conceptual Economy

2. Review, finalize and adopt The National Policy on E-Commerce and Digitization for The Commonwealth of The Bahamas. The primary objective of the referenced policy, which has already been drafted and submitted, is to promote the social and economic development of the Bahamas through the implementation of various digitization initiatives including, inter alia:

Economic Impact: **Medium**

Timeline: **Short Term**

Report Reference:
Digitization and The Conceptual Economy

- e-Government;
- e-Business;
- e-Learning;
- e-Health;
- e-Employment;
- e-Environment;
- e-Agriculture; and
- e-Science.

3. Identify and address the obstacles (legal, operational and otherwise) that have impeded progress on the creation of a national electronic ID. Electronic identification is a vital first step toward a 'Digital Bahamas'. As such, the Government of The Bahamas must quickly identify and address any outstanding issues that are preventing progress on this initiative.

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Digitization and The Conceptual Economy

4. Leverage the University of The Bahamas Northern campus (UB North) to accelerate the current plan to establish Grand Bahama as the "Tech Hub" for the Bahamas. Use UB North as a catalyst to develop and attract technology incubators, labs and research facilities, as well as start-up and established technology and logistics companies.

Economic Impact: **High**

Timeline: **Long Term**

Report Reference:
Digitization and The Conceptual Economy

² Department of Statistics National Accounts Report 2020, based on nominal GDP

International Financial Services Sector: Potential for Growth

There are components of the international financial sector that have great potential for growth. Exploiting this potential could underpin economic growth within the domestic sector through the dominant financial services sector. This will require improved competitiveness through the enhancement of key enablers which include the immigration policy and process, streamlining of the investment approval process and digitization of the public sector.

To this end, the Economic Recovery Committee offers the following recommendations:

1. Position The Bahamas as a World Family Office Hub. Reform immigration policy and process to improve efficiency and expand options for investors; implement a streamlined and clearly defined investment and regulatory framework; tax policy review and reform and incentivize family offices that wish to establish in The Bahamas.

Economic Impact: High
Timeline: Medium Term
Report Reference: Financial Services

2. Establish The Bahamas as an International Commercial Arbitration Hub. Incorporate the UNCITRAL Model Law into the Bahamian Legislative regime by finalizing and passing the international Commercial Arbitration Bill, 2018. Invest in promotion of the jurisdiction as an international arbitration hub.

Economic Impact: Low
Timeline: Medium Term
Report Reference: Financial Services

3. Leverage linkages between Tourism and Financial Services. Ensure that all information on the investment policy and financial services sector is placed at ports of entry and at properties licensed by the Hotel Licensing Department.

Economic Impact: Medium
Timeline: Medium Term
Report Reference: Financial Services

4. Reduce the risk profile of the jurisdiction (AML/CFT and Tax Transparency) through engagement with international and local stakeholders, effective implementation of remediation plans and being proactive in the management of international initiatives.

Economic Impact: Medium
Timeline: Short Term
Report Reference: Financial Services

5. Increase investment in the promotion of the jurisdiction. Increasing visibility at international marketing events, hosting joint investment and financial services briefing sessions in The Bahamas and abroad.

Economic Impact: Medium
Timeline: Medium Term
Report Reference: Financial Services

6. Undertake a legislative review of current Intellectual Property laws to ensure that they are competitive and current. Fully source the IP section of the Registrar General's Department.

Economic Impact: Low
Timeline: Medium Term
Report Reference: Financial Services

7. Implement an aircraft registry by becoming a signatory to the Convention on International Interests in Mobile Equipment, CAPETOWN, 2001 and passing the required domestic laws.

Economic Impact: Low
Timeline: Medium Term
Report Reference: Financial Services

Land Administration

Land administration challenges include:

- Lack of a cadastral mapping system;
- Overlapping claims to title to property;
- Existence of generational and communal land;
- Outdated crown divestment policy;
- Outdated land valuation system;
- Unsound land development practices.

Further, ongoing transformation of our landforms due to climate change and natural events, both seasonal and catastrophic, requires constant updating of land information.

To address this issue, the Economic Recovery Committee offers the following recommendations:

1. Create an efficient land registration and administration information system, which uses digital mapping and serves as the basis for a new land registry.

2. Initiate research on and development of a market-oriented approach to conserving and restoring the natural lands and waters of the Bahamas through economic approaches, such as mitigation offsets, transfer of development rights, and other payment for ecosystem services strategies.

3. Create a formal adjudication process to definitively settle land disputes.

4. Thoroughly review the Quieting of Titles Act, 1959 in an effort to address the prevalence of land disputes (estimated to be 25% of all land not owned by the crown). This will clarify how land is registered and conveyed among other improvements.

5. Make the process of crown land divestiture more transparent by assembling a Crown Land Task Force charged with reporting back to the government and citizens with policy recommendations intended to rationalize the use, allocation, administration and pricing of Crown Land, as well as ensuring the resources exist to implement such policies.

6. Develop and enforce Land Use Management Plans on each of the family islands and for New Providence to create public dialogue and to plan for how land gets developed and for what purpose. For example, certain lands might be set aside for residential development and others might be secured for commercial development.

7. Enact the Land Adjudication Bill, Registered Land Bill, and the Law of Property Bill. These bills, if enacted and implemented operationally, would introduce a system of land registration and titling that would be economically transformative across Bahamian society for generations to come.

Economic Impact: High

Timeline: Medium and Long Term

Report Reference: Energy and Environmental Stewardship

Economic Impact: High

Timeline: Medium and Long Term

Report Reference: Energy and Environmental Stewardship

Economic Impact: High

Timeline: Short Term

Report Reference: Energy and Environmental Stewardship

Economic Impact: High

Timeline: Short Term

Report Reference: Energy and Environmental Stewardship

Economic Impact: High

Timeline: Medium and Long Term

Report Reference: Energy and Environmental Stewardship

Economic Impact: High

Timeline: Medium and Long Term

Report Reference: Energy and Environmental Stewardship

Economic Impact: High

Timeline: Medium Term

Report Reference: Energy and Environmental Stewardship

Legalization of Cannabis Use and Regulation of the Cannabis Industry

With the almost ubiquitous use of marijuana globally and with the increasing incarcerations of marijuana users, civic and philanthropic stakeholders have pressured governments to review its existing marijuana laws – with a view to legalising or decriminalising the laws related to marijuana use. Various countries across the Caribbean and elsewhere have adopted different approaches ranging from decriminalisation for small amounts to full liberalization with few or no controls.

A hybrid approach that includes decriminalization for small amounts and legalization with strict regulatory control offers an opportunity for economic growth, increased employment, increased revenue from both excise and value-added taxes and a decrease in crime as criminal elements would no longer be suppliers and distributors.

To address this issue, The Economic Recovery Committee offers the following recommendation:

1. The adoption of a hybrid approach, allowing for both the full legalization of marijuana for medicinal, religious, and recreational purposes coupled with an appropriate but nimble regulatory regime that oversees the production/manufacturing, sale, consumption, and export of marijuana. Such an approach would include:

- The establishment of a regulatory organization, with the mandate to oversee the authorization, inspection and enforcement for all persons engaged in the production/manufacturing, wholesale/retail, technical support, and development of this industry.

- The government should avoid over-regulation of the market which will have the effect of sustaining a black market for smaller producers or retailers who do not have the means to navigate complex bureaucracies.

- An exemption of CBD products (i.e. hemp and hemp derivative products with minimal or no THC levels) from the regulatory ambit and permit their trade with minimal restriction.

- All businesses engaged in production/manufacturing in the cannabis industry should appropriately conform to the requirements of Invest Bahamas, and at minimum, should have at least 50% Bahamian ownership consistent with the investment regime recommendation mentioned elsewhere in this report.

- Make crown land available to Bahamians to cultivate cannabis (with special provisions for small scale farmers and the Rastafarian community), and manufacture cannabis-based products. Training courses can be provided through the Ministry of Agriculture and Bahamas Agriculture and Marine Science Institute to teach interested Bahamians how to farm and produce the products.

- Possession of marijuana for personal use (up to 2 ounces) should be allowed for adults 18 years and older. Unapproved possession of any amount greater than that should be punishable with a fine only.

- Allowance of cafes, resorts, and guesthouses to provide for the on-premises consumption of cannabis subject to special licensing arrangements as a means to support potential cannabis related leisure, medicinal and touristic sub-industries.

- The expungement of records for individuals convicted of minor marijuana-related offences.

*Economic Impact: **Medium***

*Timeline: **Medium Term***

*Report Reference:
**Assessment of The
Cannabis Industry***

An Inclusive Economy

What is it?

An inclusive economy is built on equal opportunity, broad based Bahamian ownership and the appropriate valuing of all spheres of productive human endeavour.

Innovation, Funding and Research

There are a number of industries (both new & existing) for which there is considerable potential through innovation, funding and research. However, The Bahamas has not fully maximized the value of these industries.

There are opportunities for growth and development which stem from the development of new industries and increased output of existing industries. Giving consideration to these opportunities will better position the country to absorb economic shocks in the future.

Such considerations must also be balanced against the country's known limitations, which include (but are not limited to) geographic, trade and fiscal constraints.

To address this issue, The Economic Recovery Committee offers the following recommendations:

1. Further extract the value of The Creative (or Orange) Economy, which has been estimated to be worth approximately 4 trillion dollars globally by the Inter-American Development Bank, by pursuing the following high-level strategies:

- Funding an 'Orange Economy' website that will act as a central information repository for the Creative Economy;
- Initiating a vibrant public relations campaign focused on the culture of The Bahamas in order to create awareness and inspire pride in being Bahamian;
- Creating a National Intangible Cultural Heritage (ICH) database of Bahamian ICH offerings as an official repository of our culture and promote public pride and ownership in our heritage;
- Pursuing Public-Private Partnerships that foster the development of the creative economy while also promoting The Bahamas as a UNESCO designated creative city;
- Expanding the public-school curriculum to include adequately funded visual and performing arts programs at all levels;
- Convert unoccupied and derelict buildings/vacant spaces in the downtown area into Artists Quarters;
- Identify and properly label historical communities, buildings, monuments and cultural areas throughout The Bahamas with consistent and attractive informational signage;

- Make 'contributions to the arts' a mandatory clause in all 'Heads of Agreement' documents submitted to the Government of The Bahamas for consideration;
- Aggressively market the country's favourable climate, unique landscapes and local talent to the global film industry, through The Bahamas Film Commission and other similar vehicles;
- Create incentives for local artists to write and produce music for local and international consumption;
- Encourage the commissioning and purchase of Junkanoo pieces by businesses for display and decoration, as well as Junkanoo souvenirs for sale to visitors;
- Enhance the annual Junkanoo parade to include revenue-generating ads and interactive activities for visitors;
- Deploy 'Junkanoo' ambassadors to the areas frequented by visitors and locals to bring further awareness to the annual festival;
- Develop a functional and efficient Intellectual Property/Copyright Legislative Department that can provide proper legal protection for creative offerings;
- Provide sector-specific and ongoing training for creatives with entrepreneurial ambitions (e.g. basic accounting, management, and quality standards training); and
- Negotiate a more equitable policy agreement with the cruise lines to protect, support, and promote Bahamian culture, activities and historical sites.

2. Examine the commercial viability of a Timber Mining Industry in Abaco, North Andros and Grand Bahama. If such viability exists, the Government of The Bahamas should consider incentivizing the development of this industry through equity-based crown land grants and other incentives. This action ultimately supports the Government's strategic push for economic diversification and job creation.

Economic Impact: **Medium**

Timeline: **Medium Term**

Report Reference:
Commerce, Entrepreneurship & Youth Engagement

3. Fund research efforts and leverage International Financial Institution technical assistance to identify viable opportunities for the following:

- The conversion of food waste created by the general population and the tourism industry into products that can be used by producers in the agriculture & fisheries industry. Examples of such products include biofertilizers and compost which can potentially be exported into other countries.
- The commercial production and harvesting of seaweed and other non-conventional mariculture products in The Bahamas.

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
Commerce, Entrepreneurship & Youth Engagement

4. The creation of innovative by-products from natural resources which would otherwise be wasted (e.g. conch shells, coconuts, cascarilla bark, etc.)

Economic Impact: **Medium**

Timeline: **Medium Term**

Report Reference:
Commerce, Entrepreneurship & Youth Engagement

The Shared Economy

'The Shared Economy' presents a unique opportunity to develop a more inclusive economy for all by removing the often-times impenetrable barriers to acquiring capital assets (e.g. availability/access to funding etc.) by pooling 'under-used' physical and non-physical assets such as vehicles, homes, working spaces, etc.

Such a model provides entrepreneurs the opportunity to participate in businesses which would have otherwise been out of reach because of resource constraints. Examples of models which fit this description include:

- Co-Working Platforms;
- Peer-To-Peer Lending Platforms;
- Home Vacation Rental Platforms; and
- Ride-sharing platforms.

Bahamian entrepreneurs would benefit immensely from greater participation in 'The Shared Economy'; however, a focused effort to further empower Bahamians to enter and achieve sustained success in this market is still required.

To address this issue, The Economic Recovery Committee offers the following recommendations:

1. Fund training programs for Bahamian entrepreneurs who wish to take advantage of opportunities to participate in The Shared Economy. Such programs could potentially be facilitated through The Small Business Development Centre. The training series would focus on teaching Bahamians about the opportunities that exist in the Vacation Home Rental Market, and how to enter the market in a safe and sustainable manner. The series would also include information about what existing mechanisms are in place, particularly in family islands, to help mitigate the cost of doing business, Duty Free and property tax concessions, etc.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
The Shared Economy

2. Create a 'Shared Economy' Loan facility through the Small Business Development Centre designed to increase investment in this industry. The ERC recommends expediting this access through the SBDC by facilitating reasonably priced, easy to access credit facilities targeted at such entrepreneurs. Duty concessions should also be granted to the entrepreneurs receiving these facilities. Qualifying capital investments could potentially include the following:

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
The Shared Economy

- Purchase of Land/Buildings;
- Build out of existing land parcels; and
- Property Renovations/Expansion

3. Repurpose underutilized buildings and vacant land owned by the Government to make them accessible for co-working spaces and business incubators. Pursuing this action will allow for greater participation in the shared economy while at the same time stimulating economic activity and potentially reducing youth unemployment.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
The Shared Economy

Socio-Economic Development, Education and Labour Market Needs

The Bahamas continues to struggle with many of its major socio-economic indicators such as the crime rate, unemployment, health statistics and the debt to GDP ratio. Global and local research efforts suggest that these issues are strongly linked to the level of education.

The Government of The Bahamas, as well as key sectors of Private Industry, Civil Society and Organized Labour groups have long recognized that significant gaps exist between the education system, the current and future labour needs and the skills of the local workforce. Understanding and addressing these gaps has been stated as a priority for subsequent Governments of The Bahamas which have undertaken numerous efforts to achieve this objective.

Despite past efforts to ameliorate these need areas through various programs across multiple government Ministries, as well as private sector and civil society programs, there still persists a regular struggle by Bahamian employers to find sufficient local staff with the necessary technical and soft skills. In certain industries, this is identified as the cause of an uneven dependence on foreign talent and skills. This can create tension between labour and immigration policies and the functional practices necessary for local industries to thrive.

To address these issues, The Economic Recovery Committee offers the following recommendations:

1. Implement learning/skill benchmarks for students during the pre-primary years through the Ministry of Education to create universal expectations for students entering compulsory learning years. The absence of regulations for preschool curricula in The Bahamas means that there are varying outcomes and expectations of skill and knowledge for students entering first grade. Creating a Preschool skill/benchmark rubric allows for variations in the choice of preschool curricula, while establishing expectations of preschool quality. The increased number of government preschools and preschool partners leverages the government's capacity to enforce and/or monitor school compliance and student outcomes.

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Education and Labour

2. Revise and develop our use of School Boards. Increase autonomy and responsibility of school boards to collaborate with schools to create goals, benchmarks, and evaluation measures for whole-school development, student learning, and school management of resources. They allow direct community input to problem-solving, work with improved speed over centralized/ministry/district models, and operate in mutual transparency, responsibility, and accountability with schools.

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
Education and Labour

3. Design a template for a functional and objective continuous-development of faculty and staff evaluation systems through the Ministry of Education to be used across schools. Progressive and effective school and teacher evaluation models have moved from linear teacher evaluation rubrics to more dynamic criteria created by collective goal setting and school multi-year development plans with input from staff, students and colleagues.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Education and Labour

4. Fund incentive programs for schools that are linked to certain goals and KPI's for student outcomes. Research shows that incentive programs that pay separate bonuses for teacher practices and student achievement can positively impact student achievement. These systems do not just focus on the final outcome, but also value the efforts made to support students, adapt and modify curricula, and implement new learning and support strategies.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Education and Labour

5. Create legislation and policy structures to allow for funding of innovative Private Public Partnerships (PPP) in Education such as Charter/Partnership Schools. These PPP models have proven successful across the world in conditions similar to The Bahamas' context and can provide access to creativity and innovation in education in ways that publicly run programs may be limited. The government currently gives subventions to private schools and this is a variation of a charter model. However, true charter/partnership schools give open access to all students and are tuition free.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Education and Labour

6. Reconstitute the National Skills Development Committee with a mandate to monitor educational attainment levels, (general, technical and vocational) and the extent to which these meet labour market needs and facilitate entry or re-entry into the labour market. The Committee should include representation from:

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Education and Labour

- The Ministry of Labour
- The Ministry of Education
- The Ministry of Public Service
- School staff
- Tertiary education stakeholders
- Civil society
- Bahamas Chamber of Commerce

7. Coordinate and increase the number of industry led/facilitated work study/pre-apprenticeship and career fair programs at school for students beginning at primary years.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Education and Labour

8. Establish a National Productivity Council (NPC) with an independent vision and autonomous operation to coordinate the transformation of the country's labour force into a highly skilled and competent workforce that can produce goods and services at optimal levels. The essential components of the legislation and Council include a list of the skill gaps, strategy to address these gaps, and performance metrics to monitor the progress towards filling the skills gap.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Education and Labour

9. Evaluate the current work permit process to ensure the skill transfer process is better monitored and enforced. Notably, with 50% of work permits linked to jobs that do not seem to require specific technical skills, the program could be better oriented to foster the growth of local skills and industry.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Education and Labour

10. Make funding available for alternative certification/paraeducator programs and/or parent academies to train parents to support children in "out of school contexts".

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Education and Labour

11. Amend the school curriculum to include Advanced Placement and certification programs accessible through the high school years. Certifications and assessments are available for high school students who take academic and career courses in high schools, but not all schools offer these opportunities to their students. Similar to the Royal School of Music, organizations like City and Guilds, amongst others, offer examinations that validate student learning in a range of skill areas, fortifying students with acquired skills and allowing them to build a career pathway before leaving high school.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Education and Labour

12. Partner with the Ministry of Education, the Bahamas Technical and Vocational Institute and the private sector to implement and fund youth pre-apprenticeship programs in 10th - 12th grade, offering on the job experience that is aligned with standardized educational objectives and the opportunities to attain certifications/competencies.

Economic Impact: **Medium**
Timeline: **Medium Term**
Report Reference:
Education and Labour

13. Make funding available for digital resources in an effort to improve the use of technology in classes through continuous blended learning experiences. COVID-19 has exposed technology use as an inequity in education. It has become an indicator of access to measured learning opportunities and skill development, which, in underserved communities, is not an afforded privilege.

Economic Impact: **Medium**
Timeline: **Medium Term**
Report Reference:
Education and Labour

14. Fund and launch a nation-wide and demand driven Skills Development Apprenticeship Program that will combine on and off-the-job training to provide unemployed youth and adults between the ages of 16 and 40 with the skills they need to succeed in the workplace.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Education and Labour

15. Increase funding for skills-based in and out of college/tech readiness and access programs to support program development and facilitation of interventions. School-based and out of school programs to build skills in youth are an underfunded area. Organizations that run these programs rely heavily on grants and donations to carry out this work.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Education and Labour

16. Coordinate and increase the number of industry led/facilitated work study/pre-apprenticeship and career fair programs at school for students beginning in the primary years.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Education and Labour

Financial Inclusion: Access to services

The excessive red tape associated with retail banking has proven to be a significant hindrance to business activity in The Bahamas and has, to an extent, exacerbated issues with financial inclusion. For example, opening a bank account is often perceived as too difficult, which discourages persons from using commercial bank services, thereby stifling financial inclusion and business productivity.

Increasing financial inclusion in The Bahamas has passthrough effects that can positively impact the general population. For example, greater financial inclusion can help propel a greater level of financial literacy, while also creating more liquidity, which can be used as capital for the MSME sector.

This can be achieved through the following recommendations:

1. Develop a National Financial Inclusion Strategy for The Bahamas, merging contributions across regulatory agencies, Government and private stakeholder groups. The strategy should be inclusive of households and MSMEs with appropriate targets for both.

Economic Impact: High
Timeline: Long Term
Report Reference: Financial Services

2. Develop regulatory guidance to ease account opening processes for new businesses through the Central Bank.

Economic Impact: High
Timeline: Long Term
Report Reference: Financial Services

3. Adopt a communications strategy to inform the business sector of exploitable opportunities in recent Exchange Control liberalization and other reforms already introduced in the banking sector.

Economic Impact: High
Timeline: Long Term
Report Reference: Financial Services

4. Strengthen non-bank participation in the intermediation of commercial financing, through the capital markets and other local channels.

Economic Impact: High
Timeline: Long Term
Report Reference: Financial Services

5. Accelerate the development of a national electronic KYC system in which all financial institutions must participate. This will allow people and business to engage banks, conduct business and move throughout the system with greater speed and ease. A supportive e-Government infrastructure for national identity, and for customer due diligence (e-KYC) systems is needed to forge personal and commercial relationships. This would support speedier decisions on credit and greater ease in opening deposit accounts.

Economic Impact: High
Timeline: Long Term
Report Reference: Financial Services

6. Through Central Bank and Ministry of Finance initiatives, expedite the development of the legal framework for secured transactions, and notably, establishment of an electronic collateral registry; and follow through on the set-up of an electronic register of court judgements.

Economic Impact: High
Timeline: Long Term
Report Reference: Financial Services

Financial Literacy

The level of financial literacy in The Bahamas remains low. This has implications for the savings habits of the general public, as well as implications for financial inclusion.

To increase the level of financial literacy within The Bahamas, to help people to make better financial decisions, and, ultimately, help them to live better lives and remain independent of state support. The Economic Recovery Committee recommends the following measures to improve financial literacy:

1. Amalgamate and coordinate financial literacy interventions across all existing domestic initiatives and sponsors and incorporate them into the school curriculum.

Economic Impact: **Medium**

Timeline: **Medium Term**

Report Reference:
Financial Services

2. Develop a centralized and well-defined consumer financial protection framework. The framework should aim to define precise methods for consumer protection and conflict resolution.

Economic Impact: **Medium**

Timeline: **Medium Term**

Report Reference:
Financial Services



A Sustainable Economy

What is it?

A sustainable economy is one that provides safeguards which protect the physical environment from degradation and destruction; invests in human, cultural and social capital; cultivates and builds inter-generational wealth, and proactively promotes business continuity.

Regulatory Process for Developments

As a part of the process for beginning a development project in The Bahamas, the project must obtain various permits from the BEST Commission based on the Environmental Impact Assessment (EIA). This process can be very onerous and prolonged, which delays development and its economic growth prospects.

To address this issue, the Economic Recovery Committee offers the following recommendations:

1. Enhance skillsets and evaluation capacity in relevant Government agencies so that the submission and retrieval of the Environmental Impact Assessment does not involve the client and/or consultant beyond the initial submission to Government.

Economic Impact: **High**

Timeline: **Medium Term**

Report Reference:
Energy and Environmental Stewardship

2. Improve the transparency of the process of obtaining the necessary permit approvals by doing the following:

Economic Impact: **Medium**

Timeline: **Short Term**

Report Reference:
Energy and Environmental Stewardship

- Publish a list of regulatory agencies and what they are responsible for approving within the context of building permit approvals, including the Environmental Impact Assessment and Environmental Management Plans.

- Publish a chart which details the permitting process from the initial stage (i.e. Heads of Agreement) to closing (i.e. Occupancy Certificates); this is particularly not clear with Family Island projects that involve Island Administrators.

- Publish a checklist of requirements for Environmental Impact Assessments and Environmental Management Plans for different project types. These should also include any requirements for site visits from Government agencies, stakeholder consultations and town hall meetings.

- Publish more information on the process for local developers to obtain tax concessions. At present, it is not clear whether such developers need to go through the Bahamas Investment Authority (BIA) if they wish to obtain concessions.

Economic Impact: **Medium**

Timeline: **Short Term**

Report Reference:
Energy and Environmental Stewardship

3. Develop a notice-based electronic portal with time stamps for tracking comments for review, resubmissions, approvals, as well as guidelines for the proper submission format.

4. Clarify the process for prioritizing projects internally for approval

Economic Impact: **Medium**
Timeline: **Short Term**
Report Reference:
Energy and Environmental Stewardship

5. Allow project developers to reference studies conducted by other projects within the same proximity when submitting applications for approval.

Economic Impact: **Medium**
Timeline: **Short Term**
Report Reference:
Energy and Environmental Stewardship

6. Publicize national knowledge and data resources such as geographic information system data and information from all feasibility and research studies to the public.

Economic Impact: **Medium**
Timeline: **Short Term**
Report Reference:
Energy and Environmental Stewardship

Revenue Generation for the Environment

There are many avenues for new or improved Government revenue streams within the environmental sector. This increased revenue can support a more efficient use of public resources, as well as help to fund a number of critical environmental improvements.

To address this issue, the Economic Recovery Committee offers the following recommendations:

Review and amend current legislation/policy around environmental levies to include:

1. International fees on the trans-Caribbean cables that pass from Florida to Nassau, through The Bahamas' archipelagic chain to Hispaniola, and through the mona passage and onto South America. This could possibly be funnelled through URCA.

Economic Impact: **High**
Timeline: **Medium**
Report Reference:
Energy and Environmental Stewardship

2. Levies on cruise ships, submarines and freighters coming into our ports every day on their way to destinations like America and Canada. The proceeds of this fee should go towards efforts to mitigate environmental issues, such as ballast waters being released illegally from foreign vessels as the causative factor in the migration of invasive species (i.e. lionfish).

Economic Impact: **High**
Timeline: **Short & Medium**
Report Reference:
Energy and Environmental Stewardship

3. Implement a temporary taxation schema for vacant property in subdivisions in New Providence in an effort to increase investment in redevelopment and to facilitate property sales.

Economic Impact: **High**
Timeline: **Short & Medium**
Report Reference:
Energy and Environmental Stewardship

4. Introduce a non-refundable deposit for foreign investment applications which would cover the government's operational costs to examine site plans and to determine and list environmental concerns.

Economic Impact: **High**
Timeline: **Short & Medium**
Report Reference:
Energy and Environmental Stewardship

5. Engage the Small Island Research Complex at the University of The Bahamas to produce an independent, definitive and comprehensive report that provides accurate information on the value of the aggregate and extractive industry, including information on the solar salt production economics. The information for such a study at all stages of the production and consumption chain is readily available.

Economic Impact: **High**
Timeline: **Short & Medium**
Report Reference:
Energy and Environmental Stewardship

Environmental Conservation

The natural resources within the islands of The Bahamas are susceptible to depletion if action is not taken promptly. Taking action to preserve these resources and areas will help to protect economic prosperity for this and future generations.

To address this issue, the Economic Recovery Committee offers the following recommendations:

1. Invest in protecting natural areas to ensure that our natural assets are maintained. Examples of such investments include Abaco National Park and Andros Blue Holes National Park, where the Government has the opportunity to improve park infrastructure and increase employment opportunities through staffing and entrepreneurship to advance park management and visitor experiences, thereby creating economic opportunities for residents.

Economic Impact: **Medium**
Timeline: **Medium & Long Term**
Report Reference:
Energy and Environmental Stewardship

2. Initiate research on and development of a market-oriented approach to conserving and restoring the natural lands and waters of the Bahamas through economic approaches, such as mitigation offsets, transfer of development rights, and other payment for ecosystem services strategies. This will provide for increased environmental resiliency and sustainability of the Bahamas through incentive-based collaboration with the development community by ensuring that the environmental impacts of proposed projects can be offset in an economically feasible manner.

Economic Impact: **High**
Timeline: **Long Term**
Report Reference:
Energy and Environmental Stewardship

National Energy Policy

Energy policy is critical to the development of the country and should be viewed as a vital component of any long-term strategy to address the reliability, efficiency and costs of energy in The Bahamas. The Bahamas is dependent on petroleum products to power about 99% of its economy. Increasing the share of energy that is generated from renewable resources is an important goal, as identified in 2013 Bahamas National Energy Policy. In addition, The Bahamas currently faces a number of critical decisions regarding energy sources, and decisions that will impact generations to come.

Research from the experiences of energy reform in other countries over the past 40 years suggests that successful energy policy development and deployment requires consistent leadership and well-thought out strategic approaches. Government leaders can benefit from exposure to well-informed, expert and bi-partisan views that may exceed the capacity of the competent advisors within the government ministries and corporations.

To address this issue, the Economic Recovery Committee offers the following recommendation:

1. Establish a multi-sectoral National Energy Taskforce with a mandate to:

- Advise government on national energy matters;
- Review and update the National Energy Policy to suit today's political, economic and national climate;

Economic Impact: **High**
Timeline: **Long Term**
Report Reference:
Energy and Environmental Stewardship

- Implement programs and policies to help reduce the consumption of energy, particularly electricity and, to a lesser extent, fossil fuels such as liquified petroleum gas;
- Propose a roadmap to electric utility privatization and liberalization.

Energy Consumption and Efficiency

There are a wide variety of available energy savings technologies such as lighting controls, energy efficient air-conditioning systems and appliances, thermal insulation, efficient plumbing fixtures, non-traditional building techniques, solar water heating and electric vehicles. As virtually all of the electricity generated in The Bahamas is by the use of fossil fuels, any reduction in energy use will reduce the burden on foreign exchange.

The Economic Recovery Committee offers following recommendations:

1. Implement programs and policies to incentivize a reduction in the consumption of energy, particularly electricity, and to a lesser extent, fossil fuels such as petroleum products and LP gas.

2. Remove the limitations imposed on the size of residential and business PV solar systems and incentivize independent power producers to start building utility grade renewable energy plants.

3. Ban the importation of air conditioning systems and windows that do not meet the minimum energy efficiency criteria, as identified in the CARICOM Regional Energy Efficiency Building Code.

4. Incentivize existing homeowners to retrofit homes with attic insulation and timers for water heaters through tax concessions (duty currently at 45%) and public education.

5. Encourage the use of new building methods such as light weight timber-framed wall systems, which are insulated to R19 or higher levels, which could yield a possible 30%-50% reduction in electricity consumed by air conditioning, as compared to the CMU block wall alternatives, through tax incentives.

6. Update the Government's policy position on small scale renewable generation to remove inspection by Bahamas Power & Light (BPL), and instead, couple this inspection with the Ministry of Public Works inspection that is already required.

7. Draft, table and pass a renewable energy encouragement act to facilitate activity in the sector.

Economic Impact: **Medium**
Timeline: **Short & Medium Term**
Report Reference:
Energy and Environmental Stewardship

Economic Impact: **High**
Timeline: **Medium & Long Term**
Report Reference:
Energy and Environmental Stewardship

Economic Impact: **Medium**
Timeline: **Medium Term**
Report Reference:
Energy and Environmental Stewardship

Economic Impact: **Medium**
Timeline: **Short Term**
Report Reference:
Energy and Environmental Stewardship

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Energy and Environmental Stewardship

Economic Impact: **Medium**
Timeline: **Short Term**
Report Reference:
Energy and Environmental Stewardship

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Energy and Environmental Stewardship

State-Owned Enterprises and Government Agencies

The Government's participation in commercial activity has historically been facilitated by the creation of State-Owned Enterprises (SOEs). While the benefits of these enterprises should not be examined purely on the basis of costs as they oftentimes fill a void left open by private enterprise, the considerably large subventions allotted to the various SOEs represent a fiscal risk for the country. For context, The Government of The Bahamas provides an average subvention of \$400 million to support SOEs each year. However, the value received in exchange for these subventions may not justify the issuance of such subventions.

These risks are further compounded by low productivity within the public sector, which can be attributed to many factors, including a lack of ongoing training, low employee morale, poor working conditions, and unsatisfactory compensation. The country's performance on the Civil Service Development Index³ (19 out of a possible 100) reflects these conditions. The importance of this issue cannot be understated as wages account for 43% of Government revenue⁴ on average.

To address these issues, The Economic Recovery Committee offers the following recommendations:

1. Require SOEs to publish annual audits (financial and management) within a prescribed time-period.

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Structural Reform

2. Pursue opportunities for consolidation/mergers of SOEs with overlapping or related mandates. The consideration to consolidate/merge SOE's whose objectives are well aligned to minimize costs is key. Suggested examples include:

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Structural Reform

- Bahamas Development Bank, Bahamas Agricultural and Industrial Corporation, Small Business Development Center and Bahamas Entrepreneurial Venture Fund;
- Bank of the Bahamas, Bahamas Resolve Ltd. and Bahamas Mortgage Corporation;
- Bahamas Technical & Vocational Institute, University of the Bahamas, Bahamas Law School and Bahamas Agriculture and Marine Science Institute.

3. Replace general subsidies to SOEs with targeted and initiative-specific subsidies which are linked to clearly defined deliverables and key performance indicators (KPI's).

Economic Impact: **High**

Timeline: **Short Term**

Report Reference:
Structural Reform

³ Index created by The Inter-American Development Bank

⁴ The State of The Civil Service; Inter-American Development Bank

4. Create a centralized agency to monitor the operations of small to medium-sized SOE's.

Economic Impact: High

Timeline: Short Term

Report Reference: Structural Reform

5. Implement a proper governance structure for large SOEs which do not fall under the centralized agency governance model. This recommendation focuses on improving internal structures of SOEs in ways that allow them to operate transparently and efficiently. The goal for SOE governance is often to create management structures that mirror as closely as possible the structures used in private companies in an effort to encourage maximum efficiency.

Economic Impact: High

Timeline: Short Term

Report Reference: Structural Reform

6. Introduce market-based pricing for all services provided by SOEs and provide targeted support for individuals who are unable to afford these services at market rates.

Economic Impact: High

Timeline: Short Term

Report Reference: Structural Reform

7. Consider introducing full or partial 'Initial Public Offerings' for financially viable SOEs that are appropriately priced and accessible by all.

Economic Impact: High

Timeline: Short Term

Report Reference: Structural Reform

8. Make the necessary legislative and/ or policy changes to permit public sector employees to work from home as far as possible or practicable. The need for extensive office space for public agencies will be reduced, and with it the cost of renting and maintaining that space will also be reduced. A potential latent effect of this suggestion is that unproductive workers will effectively 'remove' themselves from the working environment, thereby enabling potentially huge productivity gains.

Economic Impact: Medium

Timeline: Short Term

Report Reference: Structural Reform



Health, Wellness, and Social Development

Presently, the Government of The Bahamas does not have a fully comprehensive approach to Health, Wellness, and Social Development. These factors are all intrinsically linked to productivity, and, by extension, economic growth and development.

As a result, Health, Wellness and Social Development must be considered holistically and treated as a priority if The Government wishes to catalyse economic growth and development in the aftermath of the COVID-19 global pandemic.

To address this issue, The Economic Recovery Committee offers the following recommendations:

1. Establish an organized structure for collaboration between faith-based organizations (or communities) and other NGOs with the government, inclusive of a designated official liaison person/unit within the government, one with sufficient authority to coordinate inclusion and communication and to function as the primary link to these entities and/or communities. The community of faith-based organizations and NGOs within the country are a vital link to the various segments of the socio-economic strata and can be used to efficiently expand the government's reach into these segments for the delivery of needed social, health, and educational requirements.

Economic Impact: **High**
Timeline: **Short Term**
Report Reference:
Health and Social Capital

2. Review the operational and governance structure of The National Insurance Board with a view to enshrining a professional and fully independent Board of Directors whose primary mandate is to ensure long-run sustainability. The NIB is a significant part of the country's infrastructure for the delivery of pension, social services and workman compensation benefits and, generally, is in need of a rebalancing of its income and expenditure prior to 2028/2030, when its financial condition will become critical, barring adequate pre-emptive intervention measures.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Health and Social Capital

3. Implement a National Skills Development and Volunteerism Program with the purpose of building the capacity and self-direction of youth, displaced or underemployed workers and other citizens. The successful launch of such an initiative will provide important intervention opportunities for the government and private sector partners to address social ills and educational shortfalls for vulnerable persons in the society.

Economic Impact: **Medium**
Timeline: **Medium Term**
Report Reference:
Health and Social Capital

4. Dedicate resources and funding to mental health needs across the social services system and health care networks in order to address the associated problems that have been exacerbated by the onset of the COVID-19 pandemic and the socio-economic stresses that accompany the same.

Economic Impact: **Low**
Timeline: **Medium Term**
Report Reference:
Health and Social Capital

5. Recalibrate the process for development of the annual budget for the Ministry of Health to proactively address the current issues by utilizing data analytics (employment of a health economist) and through better collaboration across the various ministries and departments involved in the delivery of health services.

Economic Impact: **High**
Timeline: **Medium Term**
Report Reference:
Health and Social Capital



Conclusion

The COVID-19 pandemic has caused incalculable hardship across the world, and it continues to lurk among us. Still, this is a time to build on our strengths as a nation and to use every competitive advantage we have to start on the road to recovery. This Report aims to contribute to our shared effort in building a Bahamas that serves Bahamians and strengthens our families and communities across the archipelago.

Some of our recommendations address structural issues our economy has faced for some time now, even before the onset of the pandemic; some concern issues brought to the fore as a result of the pandemic. Some touch upon barriers to economic growth that can be overcome with moderate effort; some will require far more effort and the capacity to convince Bahamians that strategic changes to the way things are done could reap significant benefits. Some try to reinforce areas of activity where we have already been successful; some open new avenues for economic and social development.

In all cases, our goal is to offer helpful guidance to the Government as it determines what strategies and actions can best serve to build an economy that is resilient, dynamic, inclusive, and sustainable.



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Appendix 1: Committee Members

Full listing of Economic Recovery Committee Members:

- Mr. Marlon Johnson, Co-Chair - Acting Financial Secretary, Ministry of Finance
- Mr. Kenwood Kerr, Co-Chair - CEO, Providence Advisors
- Mr. Matt Aubry - Executive Director, Organization for Responsible Governance
- Mr. Nathaniel Beneby - Former Managing Director, Royal Bank of Canada
- Mr. Franklyn Butler - CEO/President, Cable Bahamas Ltd.
- Ms. Wendy Craig - former Central Bank Governor; Advisor, Ministry of Finance
- Mr. John Delaney Q.C. - Senior Partner, Delaney Partners
- Mr. Obie Ferguson - President, Bahamas Trade Union Congress
- Mrs. Davinia Grant - Executive Director, Small Business Development Center
- Mr. Greg Laroda - Chair, Grand Bahama Chamber of Commerce
- Ms. Tanya McCartney - Executive Director, Bahamas Financial Services Board
- Ms. Suzanne Pattusch - Executive Vice-President, Bahamas Hotel & Tourism Association
- Ms. Christina Rolle - Executive Director, Securities Commission of The Bahamas
- Mr. John Rolle - Governor, Central Bank of The Bahamas
- Ms. Khrystle Rutherford-Ferguson - Chair, Bahamas Chamber of Commerce and Employers Federation
- Mr. Edison Sumner - Principal, Sumner Strategic Partners
- Mr. Patrick Ward - CEO/President, Bahamas First General Insurance Co.

Full listing of Sub-Committee Members:

Structural Reform Sub-Committee

- Mr. John Delaney, Chair
- Mr. Ed Fields
- Mr. Marlon Johnson
- Mr. Kenwood Kerr
- Mr. Lindon Nairn
- Mr. John Rolle
- Ms. Christina Rolle
- Mr. Kevin Seymour
- Ms. Michele Thompson
- Mr. Patrick Ward

Digitization and the Conceptual Economy

- Franklyn Butler (Chair)
- Philip Darville
- Kenwood Kerr
- Desmond Pyfrom
- Christina Rolle
- Montino Roberts
- Edison Sumner

Energy & Environmental Stewardship

- Matt Aubry (Co-Chair)
- Christina Rolle (Co-Chair)
- Suzanne Pattusch (Co-Chair)
- Eric Carey

- Debbie Deal
- Tim Hodge
- Quentin Knowles
- Carlos Palacios
- Aneesah Abdullah

Tourism & the Orange Economy

- Suzanne Pattusch (Chair)
- Najaha Black
- Pamela Burnside
- Amanda Coulson
- Fred Ferguson
- Obie Ferguson
- Kerry Fountain
- Davinia Grant
- Kenwood Kerr
- Mike Maura
- Russell Miller
- Fred Mullings
- Arlene Nash-Ferguson
- Ian Rolle
- Kirkland Russell
- Robert Sands
- Edison Sumner

Healthcare & Social Capital

- Patrick Ward (Chair)
- Matt Aubry
- Wendy Craig

Agriculture, Fisheries & Manufacturing

- Kenwood Kerr (Co-Chair)
- John Delaney (Co-Chair)
- The Hon. Earl D. Deveaux, PhD
- Ethan Adderley
- Dominic Butler
- Wendy Craig
- Eric Carey

Family Island Development

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- Greg Laroda (Co-Chair)
- Navarro Bowe
- Ken Hutton
- Pedro Rolle
- Olivia Saunders
- Thomas Sands
- Ramona Taylor

Labour & Education

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- Nathaniel Beneby
- Peter Goudie
- Greg Laroda
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- Khrystle Rutherford-Ferguson
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- Dr. Marcellus Taylor
- Dr. Maria Woodside-Oriakhi

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- Ivan Hooper
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- Davinia Grant (Co-Chair)
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- Geoff Andrews
- Jeffrey Beckles
- P. Jillian Bethel
- Franklyn Butler
- Bobby Chen
- Dwayne Davis
- Stefen Deleveaux
- Kendria Ferguson
- Greg Laroda
- Shacara Lightbourne
- Timothy Ingraham
- Santana McKinney
- Charo Morley
- Winfield Johnny Outten
- Robert Pantry
- Kristie Powell
- Devaughn Price
- Kelliya Roberts-Whitfield
- K'Lisa Roberts-Whitfield
- Francine Russell
- Latrell Russell
- Alexander Sargent
- Christian Sawyer
- Akeem Scott
- Timothy Smith
- Mervin Sweeting
- Edison Sumner (Co-chair – Commerce and Entrepreneurship)
- Darron Turnquest
- Lynsey Ward

Appendix 2:

Companies, Organisations & Professional Bodies Consulted

- AML Foods
- Anglican/Catholic Archdiocese
- Association of International Banks and Trust Companies
- Bahamas Association of Engineers
- Bahamas Christian Council
- Bahamas Financial Services Board
- Bahamas Institute of Financial Services
- Bahamas Insurance Association
- Bahamas Light Industries Manufacturing Council**
- Bahamas National Trust
- Bahamas Power & Light
- Bahamas Red Cross
- Bahamas Technical & Vocational Institute
- Bahamas Telecommunications Company
- Bamboo Shack**
- BahamaCann Limited
- BEST Commission
- BRON Ltd.
- Cabinet Office
- Cable Bahamas
- Cat Island Conservation Institute
- Central Bank of The Bahamas
- Clearing Banks Association
- Disaster Recovery Authority
- Doctor's Hospital
- Downtown Nassau Partnership
- Elite Wellness Solutions
- Hands For Hunger
- Inter-American Development Bank (IDB)
- Lend a Hand Bahamas
- Milo Butler Distributors Ltd.
- Ministry of Agriculture & Marine Resources
- Ministry of Education
- Ministry of Environment & Housing
- Ministry of Finance
- Ministry of Financial Services, Trade & Industry
- Ministry of Health
- Ministry of Labour
- Ministry of Public Service
- Ministry of Social Services
- Ministry of Tourism & Aviation
- Mobile Assist
- Nassau Port Development
- National Art Gallery of The Bahamas
- National Fishing Association **
- National Health Insurance
- National Insurance Board
- National Training Agency
- One Eleuthera
- Pan-American Health Organisation
- Princess Margaret Hospital
- RISA Bahamas - Restructuring and Insolvency Specialists Association
- Salem Baptist Church
- The Bahamas Chamber of Commerce & Employer's Confederation
- The Department of Digitisation & Transformation
- The Grand Bahama Chamber of Commerce
- The Intellectual Property Committee
- University of The Bahamas
- University of The Bahamas North
- World Health Organization

APPENDIX 3: FDI IMPACT ON THE BAHAMAS: A CASE STUDY

Apart from supporting the exchange rate regime by underpinning a healthy level of external reserves, foreign direct investment projects also contributed positively to growth, employment, and Government revenue.

According to a study conducted by Tourism Economics, a subsidiary of Oxford Economics, the Lyford Cay Community generated over \$450 million, or 2.4% of total output in 2019, inclusive of direct, indirect and induced output. Using an input-output model, the study analyzed data from six arms of the residential community, including the Lyford Cay Property Owners Association, Lyford Cay residents, the Lyford Cay Club, the Lyford Cay Foundation, the Lyford Cay International School,

and the Lyford Cay Hospital. The study also included business sales data from associated businesses to garner the total impact of economic activity connected to the community, including sales for food and entertainment, among others.

In 2019, the Lyford Cay Community generated over 7,000 direct and indirect jobs, which constituted nearly 5% of the employment in New Providence. As for income, the Community (residents and affiliated businesses) generated some \$200 million in total income, which is equivalent to some \$2,858 for every household in New Providence. As for taxes, the residents and businesses of the community paid some \$90 million to the Public Treasury in 2019. To put this into perspective, each household in New Providence would need to be taxed an additional \$1,286 per year to replace the contribution of the Lyford Cay Community and its affiliated businesses in taxes and fees.

When looking at the direct impact the six arms of the Lyford Cay Community have on the domestic economy, the study found that residents and affiliated businesses of the community spent some \$238 million in 2019 on a myriad of goods and services including retail, lodging, employees, transportation, and other operations. Likewise, the residents and businesses of the community support over 4,400 jobs, which translated to some \$135 million in direct labour income.

TABLE 1: TOTAL IMPACT (2019)

OUTPUT	\$453M
LABOUR INCOME	\$201M
JOBS	7,023
TAXES	\$90M

SOURCE: Tourism Economics

TABLE 2: TAX CONTRIBUTIONS (2019)

VAT	\$35.10M
PROPERTY TAX	\$19.96M
OPERATIONS IMPORT DUTIES	\$14.77M
NATIONAL INSURANCE	\$13.21M
STAMP DUTY	\$6.52M
BUSINESS LICENCE	\$0.70M
DEPARTURE TAX	\$0.03M
TOTAL	\$90.30

SOURCE: Tourism Economics

Similarly, the Atlantis Resort contributed significantly to the domestic economy, particularly in the 10 years leading up to 2015. According to a Tourism Economics study, the Atlantis Resort sustained nearly 18,000 jobs in 2015, generated over \$200 million in taxes and fees, or some 12% of total tax revenue, and garnered over \$900 million in total visitor spend. The model employed by Tourism Economics calculated the impact on GDP, employment, wages, and taxes through three separate channels—on-resort spending by visitors, off-resort spending by visitors, and spending on anticipated capital investments at the resort. The results of the study found that in 2015 the Atlantis Resort generated 10.6% of GDP and 9.3% of total employment through direct, indirect and induced impact.

From 2016 to 2026, the resort is expected to invest some \$140 million in capital infrastructure, which is anticipated to generate an additional \$225 million in local spending, \$236 million in GDP, \$152 million in wages, and \$60 million in taxes and fees. Thus, by 2026 the resort should sustain 18,666 jobs, which should translate into some \$793 million in wages and approximately \$277 million in tax revenue.

Thus, it is evident that the economic impact of foreign direct investments is positive, as they create thousands of direct and indirect jobs for residents of The Bahamas, as well as the contribution of millions of dollars to domestic GDP. The spend generated by these properties translates directly into sales for Bahamian businesses while the wages paid from the created jobs translate directly into consumption, which fuels economic activity. The Tourism Economics study on the Lyford Cay Community also found that the contributions from communities like this are known to be stable during economic downturns, which can act to some degree as an economic stabilizer for the economy. In addition, the study found that in prolonged downtimes where travel is halted—as is the case with the COVID-19 pandemic—the contributions of these communities are even greater. Hence, the continued investment of foreign investors within the domestic economy can further support a rebound in economic growth, as the economy attempts to recover from the impact of the recent pandemic.

