



UNDP LAC C19 PDS N°. 16

The Bahamas Country Note: Impact of COVID-19 and policy options

By Manuel Mera*

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Abstract

As the rest of the world, The Bahamas is confronting the challenges derived from the Covid-19 pandemic. The country will face a very difficult year economically and socially. The abrupt halt in tourism, the islands' main industry, is causing unemployment to rise and GDP to fall by historic levels. Unlike other countries in the region, The Bahamas has a more robust fiscal and macroeconomic situation, which allows it to develop a strong emergency response. The Government has established a series of stimuli for activity and employment support totaling 2.37% of GDP, which is low compared to countries with similar per-capita income. The strategy also places great emphasis on formal activities and registered employees, so the most vulnerable population is reached only through sub-optimal policies. This paper reviews the economic and social situation in The Bahamas and describes the policies implemented for the containment of the crisis. It also proposes moving from food assistance for sectors without contributory benefits to broader unemployment insurance that can help maintain consumption and reduce the number of programs the Government is implementing. This last point is particularly important due to the lack of up-to-date records and statistics for coordinating social assistance.

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Introduction to the series:

Evidence, Experience, and Pertinence in Search for Effective Policy Alternatives

The Covid-19 pandemic is one of the most serious challenges the world has faced in recent times. The total cost in terms of human lives is yet to unfold. Alongside the cost of lives and deep health crisis, the world is witnessing an economic downfold that will severely impact the wellbeing of large parts of the population in the years to come. Some of the measures that are currently being used to counteract the pandemic may impact our future lives in non-trivial ways. Understanding the association between different elements of the problem to broaden the policy space, with full awareness of the economic and social effects that they may bring, is the purpose of this series.

Thus far, the impossibility of targeted isolation of infected individuals and groups has led to policies of social distancing that impose a disproportionately high economic and social cost around the world. The combination of policies such as social distancing, lockdowns, and quarantines, imply a slowdown or even a complete stop in production and consumption activities for an uncertain period of time, crashing markets and potentially leading to the closure of businesses, sending millions of workers home. Labor, a key factor of production, has been quarantined in most sectors in the economy, borders have been closed and global value chains have been disrupted. Most estimates show a contraction of the level of output globally. For the Latin America and Caribbean region, the consensus forecasts are at -3 to -4%, and it is not until 2022 that the region is expected to go back to its pre-crisis output levels in scenarios that foresee a U-shaped crisis pattern. According to ECLAC, more than 30 million people could fall into poverty in the absence of active policies to protect or substitute income flows to vulnerable groups.

We face a crisis that requires unconventional responses. We are concerned about the level-effect: the impact of the crisis on the size of the economies and their capacity to recover growth after the shock. But we are equally concerned about the distributional impact of the shock. The crisis interacts with pre-existing heterogeneity in asset holdings, income-generation capacity, labor conditions, access to public services, and many other aspects

that make some individuals and households particularly vulnerable to an economic freeze of this kind. People in the informal markets, small and micro entrepreneurs, women in precarious employment conditions, historically excluded groups, such as indigenous and afro-descendants, must be at the center of the policy response.

UNDP, as the development agency of the United Nations, has a long tradition of accompanying policy-making in its design, implementation, monitoring and evaluation. It has a mandate to respond to changing circumstances, deploying its assets to support our member states in their pursuit of integrated solutions to complex problems. This series aims at drawing from UNDPs own experience and knowledge globally and from the expertise and capacity of our partner think tanks and academic institutions in Latin America and the Caribbean. It is an attempt to promote a collective reflection on the response to the Covid-19 health crisis and its economic and social effects on our societies. Timeliness is a must. Solutions that rely on evidence, experience, and reasoned policy intuition –coming from our rich history of policy engagement– are essential to guide this effort. This series also contributes to the integrated approach established by the UN reform and aspires to become an important input into the coherent response of the United Nations development system at the global, regional, and national levels.

Ben Bernanke, former Governor of the US Federal Reserve, reminds us in his book *The Courage to Act* that during crises, people are distinguished by those who act and those who fear to act. We hope this policy documents series will contribute to the public debate by providing timely and technically solid proposals to support the many who are taking decisive actions to protect the most vulnerable in our region.

Luis F. Lopez-Calva
United Nations Development Programme
Regional Director, Latin America and the Caribbean
New York, March 2020



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1. Introduction

The world is facing a global crisis of unprecedented scale. The COVID-19 is both a health and an economic problem that is affecting every country worldwide. The variety of curfews, lockdowns and social distancing policies, while helping prevent the spread of the virus, will cause a dramatic economic recession. Developing countries will face a rise in unemployment and poverty, which should be addressed quickly and decisively. In this context, the UNDP COVID-19 Policy Documents Series is an attempt to promote a collective reflection on the response to the health crisis and its economic and social effects on our societies. This document reviews the social, fiscal and economic context of The Bahamas, identifying strengths and weaknesses, and presenting ideas to improve the policy toolkit needed to deal with this international crisis.

The government reacted fast to the pandemic, and the health numbers show only 119 COVID-19 cases and 11 deaths up until July 17th. However, the economic front is worrisome with a projected 12% shrink in the country's economy. Tourism, the main activity of the islands, has been deeply affected and its future is dependent on the evolution of the global pandemic. The Government has boosted spending to maintain consumption, protect businesses, sustain employment and protect unemployed workers. The policies tend to benefit formal workers, making informal workers less likely to obtain enough protection. Food assistance, among other noncontributory supports, may fall short in the face of rising unemployment and poverty among poor households.

The pandemic comes as the country is rebuilding from the devastation caused by Hurricane Dorian in September 2019. Nonetheless, The Bahamas is in a better position to develop an emergency response to the crisis and reduce its impact on poverty and unemployment than most of the countries in the region. The country has shown sustained growth over the last years and the government has improved fiscal compliance. However, poverty is still prominent, especially among scattered islands, and unemployment is around 10% and rising.

In the face of a long-term recession, the Government needs to reevaluate the social spending strategy, shifting help from food assistance to a wider unemployment coverage that can reach those households most in need. The country should invest in improving social statistics and registration plus avoid the risk of duplicating efforts to deliver help to the population. In the long term, efforts should be made to diversify the economy and reduce the high dependency on tourism.

2. General Overview

The Bahamas is a chain of over 700 islands and keys in the North Atlantic Ocean, southeast of the United States, and northeast of Cuba. It has a population of 377,000, most of it urban and with two-thirds living on New Providence Island where Nassau, the capital, is located.¹ It's a high-income service economy, heavily dependent on Tourism and Financial Services. The Bahamas has one of the highest GDP per capita, comparable with those of developed countries like South Korea, Spain, and Portugal. Nevertheless, poverty is around 13% and unemployment was almost 10% before the COVID-19 crises started.²

After several years, with an average growth below 1%, the GDP has shown promising numbers over the last two years, increasing to 1.6% in 2018 and 1.8% in 2019.³ Economic activity was supported by tourism and foreign investment projects fueling activity in the construction sector. This was obtained even with the crises generated by the Hurricane Dorian in September 2019 that left significant losses in Abaco and Grand Bahama, affecting the tourism

¹ Government of The Bahamas. Department of Statistics.

² Ibid.

³ Central Bank Of The Bahamas (2020) Annual Report & Statement of Accounts for the Year Ended December 31, 2019.



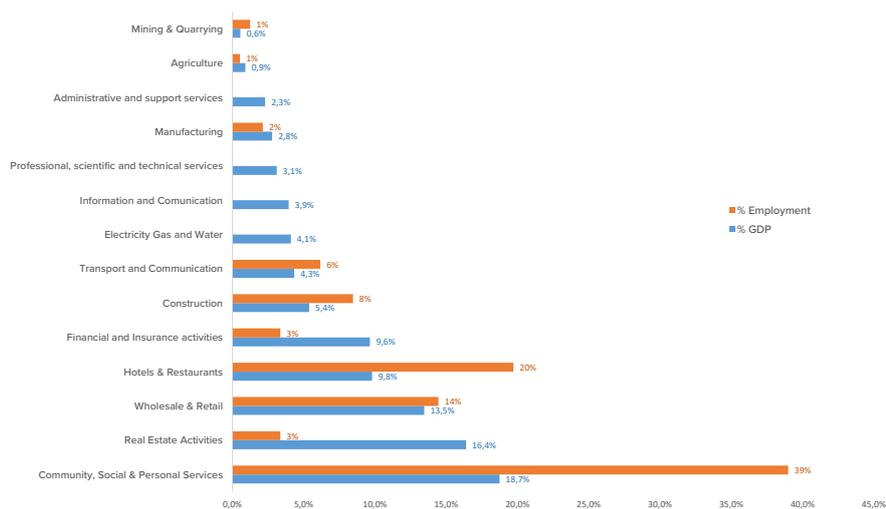
industry. The country also presents a strong financial offshore sector that has been under the scrutiny of the Government and international observers to comply with Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) and tax transparency standards.⁴ Foreign investment and tourism were expected to continue to expand in the short term, but a need for diversification is necessary for the long term. The impact of Hurricane Dorian and the COVID-19 pandemic have placed the problem on the table for discussion.

The financial sector showed resilience in previous years, with a reform-oriented government tackling structural issues in the fiscal area. The current account was positive in 2019 (0.6%) following a 16.4% deficit in 2018. The balance of payments is highly affected by tourism receipts and prices of oil imports, the two main components.⁵ Oil represents 17% of imports and the drop in prices can reduce this deficit by 5%, however, the losses in tourism will work against this gain and deepen the balance of payments. Inflation is under control, increasing by 2.2% on average in 2018 and with an annualized 1.8% by September 2019. Most of the inflation is explained by an increase in the Value Added Tax (VAT) statutory rate from 7.5 to 12% in 2018, which help increase revenues.⁶

2.1. GDP and Employment

The Bahamas has a highly concentrated economy, with agriculture and industry representing less than 10%. The GDP reflects the importance of tourism-related areas, such as Hotels and restaurants (9.8%) and Real Estate Activities (16.4%). The estimates of the total incidence of Tourism on the GDP varies from 30% by the World Tourism Organization⁷ to 50% by the Ministry of Tourism.⁸ In 2019, the country had a record 7.2 million visitors, leading the growth for the second year. But this lack of diversification makes The Bahamas vulnerable to crises such as the COVID-19.⁹

■ Figure 1. Employment and GDP by Industry (percentage)



Source: Dept of Statistics. GoB. Employment reflects data from New Providence.

4 IMF(2019) The Bahamas, 2019 Article IV Consultation—Press Release; and Staff Report. Country Report No. 19/198

5 Central Bank Of The Bahamas (2020) Op.cit.

6 Ibidem.

7 The World Travel & Tourism Council (WTTC) wtcc.org

8 Ministry of Tourism (2020), Tourism Readiness and Recovery Core Committee. Tourism Readiness & Recovery Plan 2020.

9 University of The Bahamas (2020), Research Forum Examines Long-Term Strategies to Make Economy More Resilient 21st April 2020. Accessed June 15 2020 www.ub.edu.bs/research-forum-examines-long-term-strategies-make-economy-resilient



By May 2019, the labor force in The Bahamas was composed of 215,000 employed, with 9.8% unemployment and 6.9% informal employment.¹⁰ In September the country was hit by the Hurricane Dorian and surveys have been unable to capture the impact beyond the Island of New Providence that concentrates 70% of employment.

The majority of the population works directly or indirectly in tourism, and it's reported by the Ministry of Tourism that the total related employment is 70%.¹¹ In 2019, the Hotel and restaurant sector experienced the greatest increase since May 2018 and represented almost 20% of the total workforce. Nevertheless, the Government stands as the second largest employer with almost 20% as well. Community, Social and Personal Service industry, which includes the civil service, police service, and domestic service accounted for 35% of the workforce. The public sector showed a 9% increase in the second semester of 2019 in New Providence, which may reflect a strategy to compensate for the impact of Hurricane Dorian on tourism. Also, Construction and Wholesale represent 8.5% and 14.4% of employment respectively.¹²

The number of informal workers remained constant from 2018 to 2019, with a rate of 6.9%, and is composed of a disproportionate number of males (76%).¹³ Information on the scale of the informal economy in The Bahamas is scarce. A recent study by the IDB suggests that the size of the informal sector is 20– 30% of the economy and it's primarily linked to tourism related activities.¹⁴ This scenario is important to evaluate the targeting of stimulus policies. The number of informal workers and the size of the informal economy points to the fact that there's a relevant proportion of the population that is in a highly vulnerable position and might not be reached by policies based on formal registration.

The Bahamas has a large percentage of foreign population. Net migration (immigrants minus emigrants) is around 5,000 people over the last 5 years. Migrants in the country represent 16.2% of the population, which is high compared to the average worldwide (3.5%) and in Latin America (1.8%). These immigrants, equally divided among sexes, come from countries within the region and generally seek to work and send remittances back home.¹⁵ The Bahamas has a negative flow of remittances of around 0.87% of GDP, in a region characterized by primarily remittance receiving countries. The main destinations are Haiti with almost 60% of the remittances, followed by Jamaica 11% and the United States 9%.¹⁶ Poverty rates are much higher among Haitians, which places this population amongst those most vulnerable.

2.2. Balance of Payments

The Bahamas has a negative trade balance, as imports exceed exports more than six times. The last available data from the 2nd quarter of 2019, shows the deficit at B\$ 746 million. Imports are dominated by manufactured goods and machinery (50%), followed by oil (17%) and food and beverage products (16%). Bahamas goods exports are expanded polystyrene in primary forms (28.9%), exported Mineral Fuels, Lubricants and Related Materials (19.8%), frozen rock lobster and other sea crawfish (13.8%), and machinery and transport equipment (22.8%).¹⁷ Bahama's main commer-

¹⁰ Department of Statistics (2019a) Labour Force Survey. May 2019.

¹¹ Ministry of Tourism (2020), Op.cit.

¹² Department of Statistics (2019b) Labour Force Survey. December 2019.

¹³ Department of Statistics (2019a) Op.cit.

¹⁴ Peters, Amos (2017) Estimating the Size of the Informal Economy in Caribbean States. Country Department Caribbean Group. Technical Note N IDB-TN-1248.

¹⁵ United Nations (2020). International migrant stock 2019: Country Profiles. Department of Economic and Social Affairs.

¹⁶ Country Economy. Accessed June 15th 2020 countryeconomy.com

¹⁷ Government of The Bahamas (2019). Foreign Trade Statistics Quarterly Report Second Quarter. Department of Statistics.



cial partner is naturally the United States, which represents over 80% of the country's main imports and exports. The rest of the trade is divided into a wide variety of countries and regions.¹⁸

The price of polystyrene dropped slightly since the beginning of the year close, to 0.6%.¹⁹ The recovery of the US economy will determine the recovery of the demand. On the one hand, the demand for polystyrene food packaging is likely to grow as sanitation concerns lead to ease restrictions on single-use plastics. On the other hand, demand for electronics and appliances will be dependent on the size and length of the US recession. Other products such as Lobsters and petroleum oils have also fallen in price. Lobster dropped 20% since January and Oil close to 60% as part of the global oil price crises.²⁰ The fall in oil prices will benefit the trade balance. Given the 30% fall in oil prices since the beginning of the year, it could imply roughly a 5% decrease in import values, which could probably be larger given the additional reduction in transportation and consumption.²¹ *Ceteris paribus*, such a fall in oil prices could increase the balance of payments in 150 million. However, the loss of revenues in Tourism exports will offset these gains and derive in a negative balance.

The 2019 balance of payments showed a surplus of B\$ 69.4 million, reverting the negative numbers of 2017 and 2018. This is explained by an increase in travel services and net current transfers. Exported services were five times larger than the amount of merchandise traded in 2019. The services account showed in 2019 an estimated surplus of \$2,095.5 million, explained by a 7.3% growth in net tourism receipts. The net income outflows were reduced to \$547.4 million, in large part due to a 25.8% decrease in investment-related outflows. Finally, due to hurricane-related re-insurance inflows, net current transfers reversed to \$833.0 million.²²

■ Table 1. 2019 Balance of Payments (B\$ Million)

Current Account	69.40
i. Merchandise trade (net)	(2,311.70)
Exports	654.60
Imports	2,966.30
ii. Services (net)	2,095.50
Travel	3,244.30
Other	(1,148.70)
iii. Income (net)	(547.40)
iv. Current Transfers (net)	833.00

Source: Central Bank of The Bahamas

The National Debt to GDP ratio increased during 2019 by 0.4% age points to an estimated 66.8%. The Bahamian dollar-denominated debt—at 66.2% of the total—advanced 4.3%, while foreign currency claims grew by 0.9%. The majority of the foreign debt is held by private capital markets (47.5%), followed by external financial institutions (31.6%), domestic banks (10.1%), multilateral institutions (8.7%), and bilateral financial institutions (2.1%).²³ As the Government is not planning on increasing taxes for the 2020/2021 fiscal year, debt is expected to grow. The IMF and

¹⁸ World Bank – World Integrated Trade Solution. Accessed June 16th 2020 <https://wits.worldbank.org/>

¹⁹ Federal Reserve Bank of St. Luis. Producer Price Index by Industry: Polystyrene Foam Product Manufacturing: Building and Construction Polystyrene Foam Products. Accessed April 20th 2020. <https://www.stlouisfed.org/>

²⁰ Trading Economics. Accessed April 20th 2020 <https://tradingeconomics.com/>

²¹ Ibidem

²² Central Bank of The Bahamas (2020). Op.cit.

²³ Central Bank of The Bahamas (2020). Op.cit.



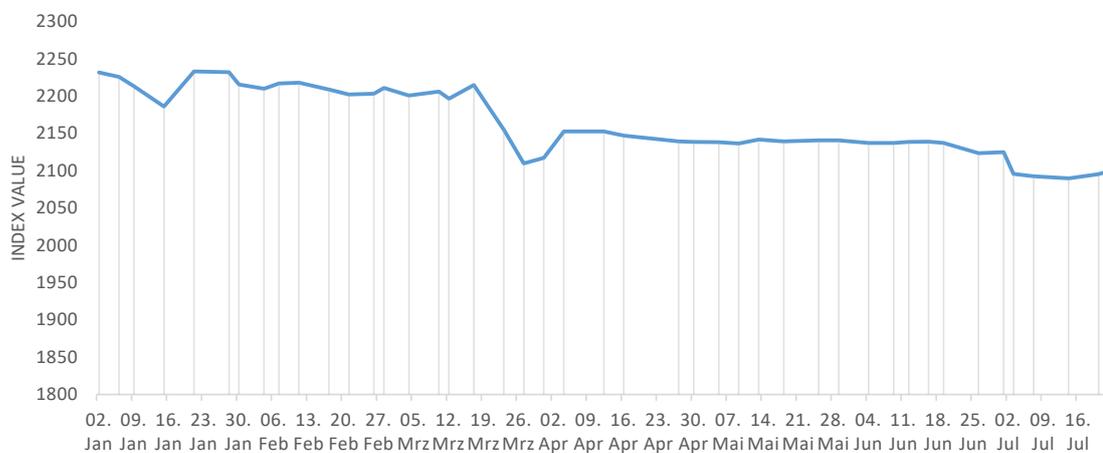
the IDB have already approved loans for the Hurricane Dorian reconstruction efforts of approximately US\$352 million (3% of GDP).

2.3. The stock market

The BISX All-Share Index is a market capitalization weighted index comprised of all primary market listings excluding debt securities. The number of publicly traded securities on BISX is 37, and it's comprised of 19 common shares with a market capitalization of \$4.52 Billion, 7 preference shares with a market capitalization of \$244 million, and 12 debt tranches with a face value of \$507 Million.²⁴

The results of the BISX in 2019 were moderately positive. The volume of shares traded grew by 3.9% adding to a 66.1% growth in 2018 and the value rebounded by 2.2% from a decline of 6.2% in 2018. As a result, the BISX rose by 5.8%, extending the 2.2% gain from 2018.²⁵ The beginning of 2020 represented a setback for the Index reflecting the impact of the COVID-19 crises on the value of The Bahamas companies. For the three months ending March 31, the BISX decreased by 5.13%. Since April, BISX showed a moderate recovery and has stabilized its price since, in expectation of the evolution of the numbers of the economy.

■ Figure 2. BISX Index Value for the current year



Source: Bahamas International Securities Exchange

3. Measures in Place

3.1 Public Health Responses

With only 119 COVID-19 cases up to July 17th, the health response has shown to be successful, similar to other countries in the region (Figure 3). While lockdown policies have controlled the spread of the COVID-19, the shutdown of the borders stopped tourism and thus significantly impacted the economy. Thus, the Bahamas is facing a more difficult scenario regarding the economic effects of the pandemic. At the emergence of the COVID-19, the Governor

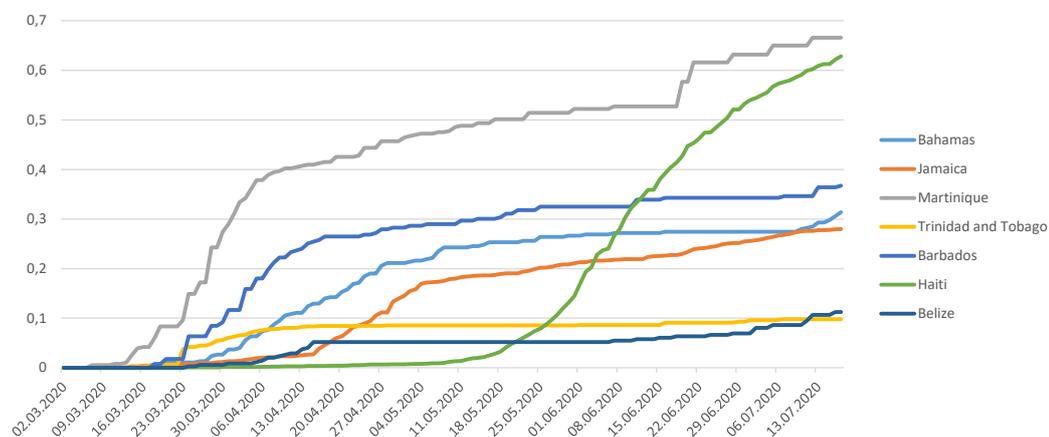
²⁴ Bahamas International Securities Exchange. Accessed June 20th 2020. [bisxbahamas.com](https://www.bisxbahamas.com)

²⁵ Central Bank of The Bahamas (2020). Op.cit



General of The Bahamas issued a proclamation of emergency that gave the Government emergency powers to aggressively combat the crises. Measures included the right to order the detention of a person for COVID-19 screening and the establishment of curfew hours and lockdowns among other exceptional policies. The government restricted the entry for nonresidents. It closed all airports and ports to incoming flights and vessels, and outbound flights were limited. A strict curfew was implemented on March 24th establishing weekend 24hr-lockdowns based on the evolution of the COVID-19 and with some differences between the various islands. Also, the Government created the National Food Committee and the Economic Recovery Committee to plan short term and long-term actions to recover the economy.²⁶

■ Figure 3. COVID-19 Cases per thousand people, selected countries



Source: World Health Organization

Classes were suspended on March 16th as The Ministry of Education (MOE) officially announced the closure of all schools, both public and private, as well as other educational institutions. While the content was uploaded on the MOE website and efforts were made to continue education remotely, internet connection is not homogeneous among students. Currently, educational institutions remain closed, but national examinations began on July 13th as part of phase 4 of the reopening.

The curfew policies generated significant reductions in economic activity, especially during the 24-hour lockdowns during weekends. Google's COVID-19 Community Mobility Report²⁷ of The Bahamas shows that mobility trends for places like restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theaters decreased 54% since the beginning of the restrictions, with peaks of almost 90% during lockdowns. Mobility trends for places like public transport hubs decreased by 74% while trends for places of work decreased by 34%. These numbers show that restrictions had a high compliance rate, which as a consequence will impact consumption.²⁸

After a month and a half of curfew and periodical lockdowns, on April 27th the Government published a re-opening plan consisted of five phases: Phase 1, opening essential services, hurricane preparation, delivery services, and construction; Phase 2, expanding operations in the Family Islands and existing services; Phase 3, open some non-essen-

26 Government of The Bahamas. Accessed June 15th 2020 www.bahamas.gov.bs.

27 This report shows how visits and length of stay at different places change compared to a baseline (the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020). Accessed June 20th, 2020 www.google.com/covid19/mobility.

28 Google's COVID-19 Community Mobility Report. Accessed June 20th, 2020 www.google.com/covid19/mobility.



tial operations. Phase 4, re-opening of restaurants, theaters, and cultural events; and Phase 5, restarting tourism and reopening the borders.²⁹

Following the plan, The Bahamas has started a process of reopening that will conclude in early July. On June 2nd, domestic borders were reopened for regular domestic commercial flights and domestic pleasure craft and yachts. As of June 13th, the country entered Phase 4. Weekend lockdowns were lifted but the 9 p.m. to 5 a.m. curfew Monday to Sunday will continue. On June 8th, beach and park restrictions were removed for the islands of Eleuthera, Harbour Island, Spanish Wells, Exuma, and San Salvador. Beaches and parks on New Providence, Paradise Island, Grand Bahama, and Bimini remain closed. As of June 8th, exercise was permitted from 5 a.m. to 9 p.m., places of worship and all professional services and commercial activity, except recreational, could resume regular operating hours but must be closed by 7 p.m. daily. On June 12th, restaurants reopened with outdoor seating only and ensuring proper physical distancing. Finally, on June 15th hair salons and barbershops reopened. Most importantly, Phase 5 of the plan began on July 1st when tourism reopened to international commercial travel, including commercial airlines, both international and domestic; hotels and vacation rentals, inclusive of Airbnb and HomeAway; and transportation ranging from taxis to jitneys and buses.³⁰

3.2. Economic Stimulus

The policies and programs implemented by the Government are focused mainly on the formal economy. The great majority of the budget allocations benefit registered business and contributing employees, as programs require approved licenses and registrations. Fewer resources are aimed at those that may be most vulnerable, which includes the informal workers and informal small businesses that characterize the poorest quintiles of the population. The programs aimed at supporting the poorest sectors took the form of food assistance which – based on experience in the region – is a suboptimal strategy to cope with increasing unemployment and poverty. Cash transfers through an unemployment program that covers informality could be a more efficient way to distribute help and support poorer quintiles.

To address the social and economic needs arising from COVID-19, the Government implemented unemployment and social assistance measures for unemployed workers and poor households, financial support for businesses, including, business tax deferrals and credits and business continuity loans and payroll grants. In March, the Government presented a fiscal stimulus response plan estimated in B\$121 million (1% of GDP), part of which B\$100 million was geared towards sustaining employment levels. As the crises evolved and the Government prepared the 2020/2021 budget, the emergency response budget allocation increased.³¹

The multiplicity of actions created by the Government were condensed in the plan “A Resilient Bahamas: A Plan for Restoration”, which is the baseline for the 2020/2021 budget presented in the House Assembly. The plan is composed of increased spending on policy stimulus for businesses, support for unemployed workers, an increase in social programs, and an increase in some health and education programs. The emergency increases due to the COVID-19, but also continuing the recovery from the Hurricane Dorian, add up to B\$811.1 million which represents 6.98% of 2019 GDP. Out of that total, most of it represents public construction projects to stimulate employment (63%). The total increase in social spending to protect employment, protect unemployed workers and poor households is 2.37% of GDP. To put this number in perspective, advanced economies are allocating an average of 11.6% of their GDPs to

²⁹ Government of The Bahamas. Accessed June 20th 2020 www.bahamas.gov.bs.

³⁰ Ministry of Tourism (2020) Op.cit.

³¹ Government of The Bahamas. Accessed June 20th 2020 www.bahamas.gov.bs.



boost spending, while emerging markets are allocating 3.2%.³² If we take public construction projects as a different type of spending, The Bahamas is allocating fewer resources than the average emerging market, having a GDP per capita closer to advanced economies. Table 2 summarizes the main programs proposed and the respected budgets.³³

■ Table 2. A Resilient Bahamas Plan. Budget FY2020/2021

Program	B\$ (million)	% GDP*
Total Allocation	811.10	6.98%
Stimulating Economic Growth	565.1	4.86%
Public construction projects	515.1	4.43%
20% Customs duty on all building supplies	-	
Increase in small business funding	50	0.43%
Maintaining employment	150	1.29%
Tax Credit and Tax Deferral Employee Retention Program	120	1.03%
Extension of business support and continuity loan programs	30	0.26%
Expanding Social Support	76	0.65%
Social welfare initiatives.	11	0.09%
Unemployment assistance	48	0.41%
Increase in food assistance	17	0.15%
Public Health & Education	20	0.17%
Expansion of free primary care coverage	18	0.15%
Increase in allocations for scholarships	2	0.02%

* Calculations are based on the estimated 2019 GDP.

Source: PwC (2020)

Benefit for businesses focuses, by design, on registered enterprises and employment. The Tax Credit and Tax Deferral employee Retention Program provides benefits for companies with a minimum of 25 registered employees that retain at least 80% of staff count as of February 2020. The program, administered by the Ministry of Finance, seeks to provide businesses with the cash flow to preserve current employment levels and to be used solely to cover payroll requirements. Businesses will be able to withhold their outstanding business license or VAT receipts collected up to B\$200,000 per month for up to three months. Of that amount, B\$100,000 will be in the form of a non-reimbursable tax credit, and the other B\$100,000 will be deferred until January 2021 and paid back over 12 months.³⁴ The Government estimated that 10,000 private sector jobs (8% of the total private employees) will be covered and around 200 companies would benefit from this initiative.³⁵

MSMEs with fewer employees, making less than B\$3 million annually, can access a Business Continuity Loan Program. Facilitated through partnerships with financial institutions, this program provides loans to small businesses

32 Center for Strategic and International Studies (2020) Breaking down the G20 COVID-19 Fiscal Response. April 30, 2020. Accessed June 19th 2020. www.csis.org/analysis/breaking-down-g20-covid-19-fiscal-response

33 PwC (2020) The 2020/2021 Budget. A Resilient Bahamas: A Plan for Restoration. June 2020. Accessed June 12th www.pwc.com/bs/en/assets/bahamas-budget-2020.pdf

34 McKenzie, Natario (2020). Govt. to forego \$60 mil in revenue over payroll assistance plan. Eyewitness News March 30, 2020. Accessed June 17th 2020 ewnews.com/govt-to-forego-60-mil-in-revenue-over-payroll-assistance-plan

35 McCartney, Paige (2020) Tax deferral program announced to help retain private sector jobs. The Nassau Guardian. March 30, 2020. Accessed June 17th 2020 thenassauguardian.com/2020/03/30/tax-deferral-program-announced-to-help-retain-private-sector-jobs



that retain 51% of registered employees, ranging from B\$5,000 to B\$300,000 to cover operating costs such as salaries, rent, insurance, utilities, and inventory/supplies. Approved loans will have a 4-month grace period.³⁶ Also, the Central Bank has arranged with domestic banks and credit unions to provide a 3-month deferral against repayments on credit facilities for businesses and households affected by the pandemic.³⁷

The Government has also implemented direct assistance for laid-off workers through the expansion of the unemployment program. The regular unemployment benefit applies to formal employees that have contributed at least 52 weeks and are under 65-years-old. The benefit is 50% of the worker's average weekly insurable income for a maximum period of 13 weeks within a year.³⁸ The Department of Labour has stated that the fund currently stands at B\$1.7 billion, and has enough money to cover its benefit payments.³⁹

As the unemployment benefit is only for formal employees, the Government expanded the coverage through a government funded unemployment assistance for self-employed workers affected by the COVID-19 emergency. The program has two types of benefits. One applies to self-employed workers registered in the National Insurance Board (NIB) and with a valid business license. The second benefit is for self-employed workers in the tourism sector. In this case, while the program is administered by the National Insurance Board, it is outside of the NIB regular benefits and thus does not require the satisfying of contribution conditions. It is targeted to self-employed Bahamians that can prove that they are self-employed in the tourism sector.⁴⁰ The benefit for both types is \$200 per week for a maximum of 8 weeks, which is above the poverty line for a one-person household. Payment is made by bank transfers or checks, and the application is made by email by sending in the scanned document.⁴¹

The latest information from the NIB is for the period from March 23 to May 15th, the peak of the crises. The government funded unemployment program for self-employed persons paid B\$6.2million and benefited 6,105 claims, while the regular unemployment program paid to qualifying beneficiaries B\$28.7 million with a total of 26,185 claims.⁴²

The Government is also providing regular food assistance through the Emergency Food Assistance Program. Food is being distributed to walk-in clients in zones across the country and New Providence through the Ministry of Social Services and NGO Partners. Persons are provided with a B\$50 food voucher and assessed by social assistance providers to be placed on the Temporary Food Assistance Program upon which the client can be placed for up to three years. Meanwhile, the Urban Renewal Department distributes food packages to senior citizens utilizing curbside distribution policies.⁴³ The Government projected an extra 17 million budget for the food distribution program that will reach approximately 80,000 people for 12 weeks.

The Bahamas' social protection strategy for the COVID-19 crisis has almost a contributory logic. Those formal employees that are up to date with their NIB contributions will receive the traditional unemployment benefit, while registered self-employed (that therefore pay taxes), will receive a small cash transfer. Only informal self-employed

36 Access Accelerator. Accessed June 17th 2020 www.accessaccelerator.org/

37 IMF, Policy Responses to COVID-19. Accessed June 15th 2020. www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#B

38 National Insurance Board. Accessed June 15th 2020. www.nib-bahamas.com/_m1869/Benefits-and-Assistance

39 McKenzie, Natario (2020b). COVID-19 unemployment program extended to July 1. Eyewitness News. March 25, 2020. Accessed June 17th 2020 ewnnews.com/covid-19-unemployment-program-extended-to-july-1

40 The document could be one of the following: business license; letter from hotel allowing him/her to work from their property; relevant association membership letter; straw market permit; business receipts which show purchases related to the business; or any other documentation which can show that he/she work in the tourism sector as a self-employed person.

41 National Insurance Board. Accessed June 15th 2020. www.nib-bahamas.com/UserFiles/HTML/Editor/Government%20Unemployment%20Assistance%20-%20COVID-19.pdf

42 National Insurance Board. Accessed June 15th 2020 www.nib-bahamas.com/UserFiles/HTML/Editor/COVID-19Dashboard.pdf

43 Government of The Bahamas. Accessed April 15th 2020 www.bahamas.gov.bs/



workers in tourism can obtain a cash transfer if they can prove their activity. This means that formal employees with not enough contributions, self-employed informal workers for other industries (many indirectly linked to tourism), and informal employees are not included among the unemployment beneficiaries. There are approximately 13.5 thousand informal workers. Assuming that potentially 6.1 thousand were able to be among those receiving the government funded unemployment assistance program for self-employed persons, there are still more than half at risk of losing their main source of income.

With an estimated 43,000 poor in The Bahamas and a potential increase in unemployment to almost 30%, a strategy based on food assistance will fall short for the task. The distribution through a walk-in demand and the lack of up to date data and registration of poor households will significantly limit the effectiveness of this policy. Moreover, food assistance leaves households with the need to request other types of benefits to cover day to day expenses. This is not only detrimental for the households, but also for the Government that has to register the citizen again every time a benefit is granted. The poorest decile of the population, according to the 2013 household survey, allocate 24.7% of the income in food and non-alcoholic beverages. Most of the spending is on housing, water, electricity, and gas (44.4%). This indicates that the food service might not be the most adequate strategy to sustain consumption among those families most likely to lose their source of income due to the pandemic.⁴⁴

Benefit distribution could be improved if the economic transfer boost is channeled through a wide unemployment benefit. By allowing every person not registered as currently employed, or any other government programs, to receive the B\$200 benefit for up to 8 weeks, the government will be able to transfer cash directly to those in need at the same time that it increases consumption and reduces the bureaucratic cost of organizing food assistance. Assuming that the program covers all current unemployed workers and all informal workers (minus the 6105 already registered in the self-employed benefit) the estimation would be a total of 28 thousand new beneficiaries. With this back of the envelope calculation, the cost of such a policy would entail a total of 0.47% of the GDP, which is still lower than the 0.65% proposed for expanding social support in the 2020/2021 budget.

4. Fiscal and Economic Impact

In 2019 the budget was significantly affected by the destruction caused by Hurricane Dorian, which resulted in unplanned spending for reconstruction works and social assistance, as well as disruption in revenue collections. The outturn reflected an 8.9% hurricane-related growth in aggregate expenditure for a total of \$1,292.2 million. Despite the decline in business activity, total revenue grew as taxes of goods and services increased by 3.7% and VAT boosted 25.4% due to the shift from stamp tax to VAT on realty transactions.⁴⁵

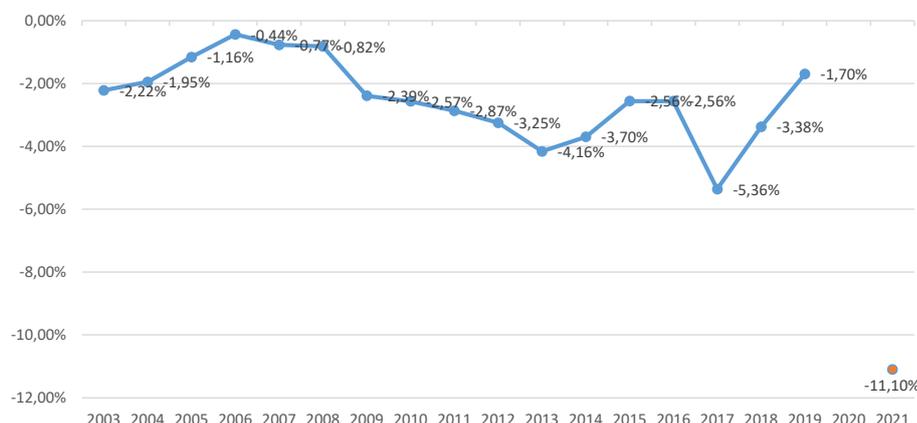
The Government presented in June the 2020/2021 budget that went into effect on July 1st. The estimations take into account both the impact of Hurricane Dorian and COVID-19 pandemic. The first noticeable aspect of it is that the government does not plan to increase taxes, thus the projections include a significant rise in the deficit and a reliance on external borrowing. The total revenue for the budget year 2020/2021 is anticipated to be B\$1.7 billion which is down 15.7% compared to the previous fiscal year. Out of this decline in revenue, B\$232 million is estimated to come from Hurricane Dorian and B\$900 million from the COVID-19 crises. With estimated expenditures of B\$3 billion, the result is an expected deficit of B\$1.3 billion (11.1% of GDP) which is the largest in history for the country.⁴⁶

⁴⁴ Government of The Bahamas. Department of Statistics <http://www.bahamas.gov.bs/statistics>

⁴⁵ Ministry of Finance (2020). Combined Nine Month Fiscal Snapshot and Report on Budgetary Performance FY2019/2020 July-March

⁴⁶ PwC (2020). Op.cit.

■ Figure 4. Government Deficit as a percentage of GDP, 2003-2019 and 2021 estimate



Source: Central Bank of The Bahamas; PWC

In terms of the balance of payments, external reserves are expected to contract in 2020, in line with the reduction in tourism sector activity and the remaining part of the essential domestic imports. Estimates from the IMF project a negative balance of 12.7.⁴⁷ Some external sector financing needs are expected to be satisfied by government borrowing. The average domestic fuel import costs are expected to remain moderate, both for the fall in the international price as well as by the reduced consumption. The situation will increase depending on the extension of the COVID-19 international crisis, the speed of the restoration in Abaco and Grand Bahama, and the potential of new major hurricanes in 2020.⁴⁸

The Central Bank expects that reinsurance receipts and contributions from international foundations will offset some of the shortage in revenue and that the remaining budgetary gap will be balanced by domestic and external borrowings. The government has already applied and obtained from the IMF a low-cost emergency loan. The loan amount is approximately US\$252 million and falls within the borrowing authorization approved in the Supplementary "Hurricane Dorian" Budget in February 2020 but will support the COVID-19 response and other budgetary operations.⁴⁹ In addition, The Bahamas has a US\$ 363 million active portfolio of loans⁵⁰ with the IDB and has already obtained US\$100 million to help finance humanitarian and reconstruction efforts in The Bahamas after Hurricane Dorian.⁵¹ The emergency help for reconstruction amounts to approximately 3 % of the GDP.

4.1. Growth and Inflation

The global economy is likely to experience a historic decline in output in the second quarter of 2020 generating a global recession. J.P. Morgan expects a double-digit contraction in global growth in the first half of the year, with GDP contractions through the second quarter or until the outbreak fades.⁵² Regionally, the Caribbean Development Bank released its estimates indicating that, worldwide, the global growth will be at least 2%age points lower than previ-

⁴⁷ International Monetary Fund (2020). World Economic Outlook. June 19, 2020

⁴⁸ Central Bank of The Bahamas (2020) Op.cit.

⁴⁹ Government of The Bahamas. Accessed April 15th 2020 www.bahamas.gov.bs.

⁵⁰ IDB, Accessed June 4th 2020 www.iadb.org/en/countries/bahamas/overview

⁵¹ IDB, Accessed June 4th 2020 www.iadb.org/en/news/hurricane-dorian-idb-provides-100-million-emergency-funding-line-bahamas

⁵² JP Morgan. Fallout from COVID-19: Global Recession, Zero Interest Rates and Emergency Policy Actions. Accessed on June 14th, 2020 www.jpmorgan.com/global/research/fallout-from-covid19



ous estimates, while for the Caribbean region as a whole, the impact could be even more profound.⁵³ In accordance with these projections, ECLAC forecasted a drop in GDP of at least 1.8% and as high as 4% or more for the Caribbean region.⁵⁴

Given the nature of the economy and the dependency on tourism, projections show a more dramatic scenario for The Bahamas. While the IMF estimates an 8.3% fall in GDP,⁵⁵ the Government is projecting a 12% shrink in the country's economy, making it a historic fall.⁵⁶ This is sustained by the initial numbers calculated by the Department of Treasury that indicate that tax revenue for April was about half of that collected in April 2019.⁵⁷ What puts The Bahamas in a very difficult position is the fact that tourism will be one of the last activities to recover, so the shock to the economy might be long, lasting into 2021. This requires the Government to think beyond the short-term emergency and plan the stimulus and social protection policies to be more long-lasting.

Regarding prices, inflation is expected to remain subdued, following the 2.2% of 2018 and the annualized 1.8% of September 2019. Recent inflation was explained mainly by an increase in the VAT in 2018, so as prices already absorbed the tax increase and given the decline in global oil prices, the Central Bank expects inflation to remain around 2%.⁵⁸ In accordance with this projection, the IMF estimates an inflation of 2.4% for 2020.⁵⁹

The Bahamas is facing a difficult fiscal scenario. Firstly, the crisis will force the government to increase public debt as it will be required to increase spending to counteract the economic downturn and the fall in revenues. The already negative deficit will continue to grow threatening fiscal sustainability. In 2019, the National Debt to GDP ratio increased by 0.4% to an estimated 66.8%.⁶⁰ The cost of debt imposes constraints that might affect the expenditures on social policies. However, the Government should prioritize the risk of rising unemployment and poverty. In order to do this, the Government should consider alternatives to public debt. On the one hand, external reserves have grown consistently over the last years. The ratio of reserves to monetary base remained above 90% throughout 2019, even peaking at 113.4% in August.⁶¹ The use of reserves to promote credit and back the increased social spending could be an alternative to debt. On the other hand, the Government could increase some targeted taxes, something that is not present in the 2020/2021 budget. One alternative would be an emergency tax on oil consumption. Taking advantage of the fall in oil prices in 2020, a tax increase will not be reflected in an increase in inflation.

4.2. Unemployment

Tourism, the main direct and indirect private employment sector in The Bahamas, is also the most affected by the COVID-19 crisis. The country was showing steady growth in visitors, mainly through cruise arrivals (Figure 5). According to the Ministry of Tourism, in March 2020 the country's air and sea arrivals already declined 59.7% relative to March 2019. While cruise arrivals fell only by 10%, air arrivals declined by 62.5%.⁶² In March, the average hotel occupancy rate declined significantly to 41.8% from 86.7% for the same period in 2019. The number of room nights

⁵³ The Caribbean Community (CARICOM) Accessed on June 14th, 2020 caricom.org/caribbean-needs-financial-backing

⁵⁴ CEPAL. América Latina y el Caribe ante la pandemia del COVID-19. Efectos económicos y sociales. Accessed on April 13rd, 2020. No 1.

⁵⁵ International Monetary Fund (2020). Op.cit.

⁵⁶ PwC (2020). Op.cit.

⁵⁷ Rolle, Rashad (2020), 'Nobody Will Go Hungry': Pm'S Promise As He Warns 'Tough Decisions' Ahead, Accessed June 15th 2020 www.tribune242.com/news/2020/may/11/nobody-will-go-hungry-pms-promise-he-warns-tough-d/

⁵⁸ Government of The Bahamas. Accessed April 15th 2020 www.bahamas.gov.bs.

⁵⁹ International Monetary Fund, Accessed June 10th 2020 www.imf.org/en/Countries/BHS.

⁶⁰ Central Bank Of The Bahamas (2020), Op.cit.

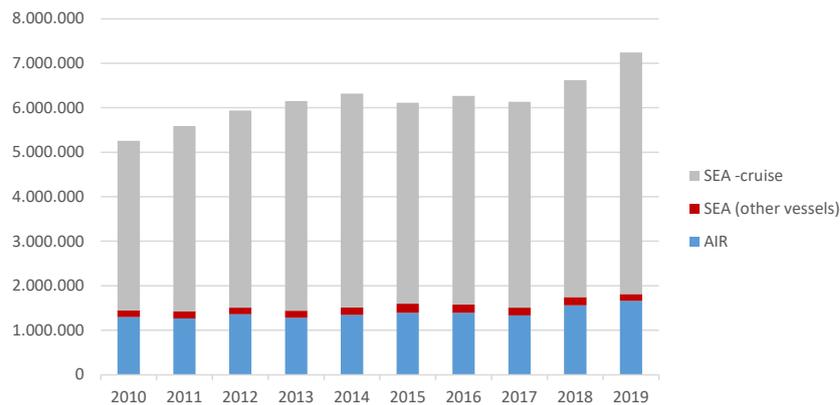
⁶¹ Government of The Bahamas. Accessed April 15th 2020 www.bahamas.gov.bs.

⁶² Ministry of Tourism & Aviation. Tourism Statistical Review. March 2020 (Revised) Volume 2, Issue 3.



sold contracted by 56.3%, while the average daily room rate reduced by 15.5%, resulting in a 59.0% falloff in room revenues. Regarding the vacation rental market, April showed a 59.4% falloff in total room nights sold.⁶³

■ Figure 5. Inbound tourism by type of arrival, 2010–2019



Source: Central Bank of Bahamas

Current levels of unemployment can be estimated from the unemployment benefits paid to workers by the government. In May, 32,290 workers qualified for an unemployment benefit. It’s important to notice that 80% represent formal employees that accessed the benefit based on compliance with NIB requirements. Out of the remaining 20%, some are self-employed workers from the tourism sector (which do not require formal registration) and the rest are self-employed workers with a business license. Therefore, the real number of unemployed could be much higher.

With the current estimate of workers laid off, the level of unemployment rises from 9.8% to 25%, but if informal workers are considered as unemployed due to the curfew restrictions and the sudden stop in tourism, construction, and reduced wholesale, the potential unemployment rate could reach 28%, which is close to the 30% projection mentioned by the Prime Minister.⁶⁴ Unemployment is expected to remain high as the Tourism crisis lingers into 2021, this will naturally affect consumption and poverty in the country.

The Ministry of Tourism launched the Recovery and Reentry Plan to provide a road map for the reopening of The Bahamas’ internal and external borders. The Plan focuses on best practices, new protocols, procedures, and guidelines to come into effect upon reopening the activity.⁶⁵ But with almost 80% of stopover visitors originated from the United States the recovery of the sector after the July 1st reopening will be directly affected by the evolution of the crisis in the neighboring country. With flights and cruises taking a halt due to the pandemic, the tourism industry will suffer a heavy hit in 2020. It’s difficult to predict when this industry will fully recover, given that it’s a luxury service in the context of a global recession. The Cruise industry, in particular, is facing a difficult challenge, as it has been the focus of several coronavirus outburst early this year. The fact that 74% of the tourism in The Bahamas arrives in cruise ships, reflects the importance that this situation has for the local economy.

The Bahamas has to prepare for a slow recovery, which entails higher than average unemployment. While in the short and medium-term this should be addressed through social protection policies, in the long term Bahamas should

63 Central Bank of Bahamas (2020b). Monthly Economic and Financial Developments (MEFD) April 2020

64 Hamilton, Deandrea S (2020) COVID crisis to make 25,000 Bahamians jobless; unemployment expected to soar to 30 percent says Prime Minister. Magnetic Media. Accessed June 16th 2020 magneticmediatv.com/2020/05/covid-crisis-to-make-25000-bahamians-jobless-unemployment-expected-to-soar-to-30-percent-says-prime-minister

65 Ministry of Tourism (2020),Op.cit.



start a process of economic diversification to reduce the impact of natural disasters and reduce the dependency on tourism related activities.

5. Social Conditions

The economy, driven by the twin pillars of tourism and financial services, has been generally strong, making Bahamas' GDP per capita similar to developing countries. However, poverty and unemployment remain high. Around 13% of the population lives in poverty, with 25% of these being children between the ages of 5-14. This means at least 43,000 people are living below the poverty line set at \$4,247 per person per year.⁶⁶ There are geographical disparities within the country as well as with vulnerable communities living in sparsely populated islands and among the most historic communities in New Providence.⁶⁷ Table 3 shows that New Providence concentrates the largest proportion of the poor population.

There is an open debate among various stakeholders and sectors of the society on the need to diversify the economy. The reliance on tourism and financial services does not produce enough growth to drive sufficient employment expansion. Unemployment remains close to 10% before the COVID-19 crisis, and youth unemployment was as high as 30% in 2015.⁶⁸

■ **Table 3.** Population distribution, by quintile and across regions (percentages)

Region	Overall	Consumption Quintile				
		1	2	3	4	5
New Providence	72.6	73.1	67.3	67.3	78.1	77.6
Grand Bahama	14.4	10.6	16.8	18.9	10.9	15.3
Family Island	13	16.4	16.4	13.8	11	7.1
Total	100	100.1	100.5	100	100	100

Source: 2013 Household Expenditure Survey

In terms of work distribution of the poor population, 60% of the first quintile work in construction, wholesale, and hotels and restaurants, compared to only 33% of the richest quintile. These three sectors are the most affected by the crises. Among poor households, 62.3% of household heads are employed. These household heads are also more likely to be working as employees in the private sector (73.5% versus 53.8%), while non-poor household heads were more likely to be working as government employees (23.5% versus 8.9%) and self-employed workers (22.4% versus 17.0%).⁶⁹

⁶⁶ Government of The Bahamas. Department of Statistics www.bahamas.gov.bs/statistics

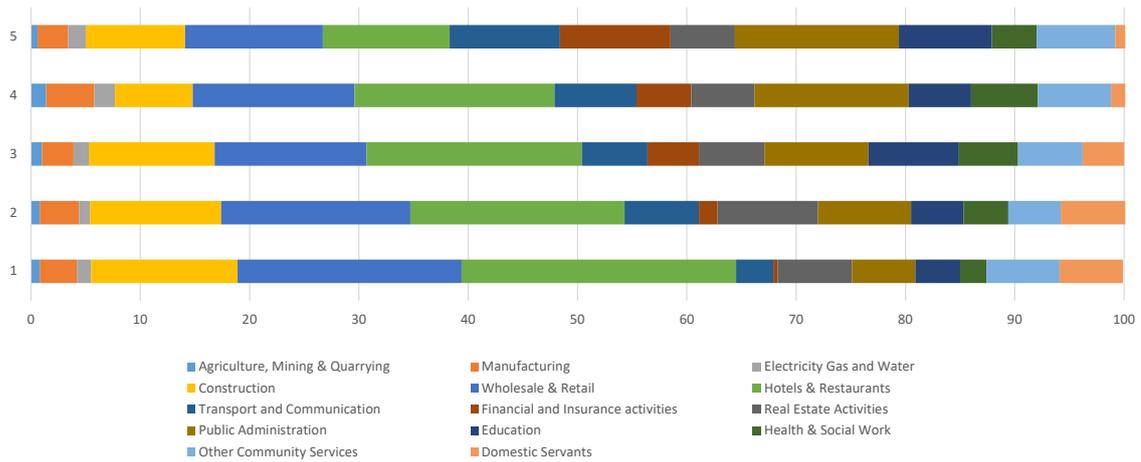
⁶⁷ Government of The Bahamas (2018) The Bahamas Voluntary National Review on the Sustainable Development Goals to the High Level Political Forum of the United Nations Economic and Social Council. July 2018.

⁶⁸ Government of The Bahamas. Department of Statistics www.bahamas.gov.bs/statistics

⁶⁹ Department of Statistics (2013) Household Expenditure Survey 2013.



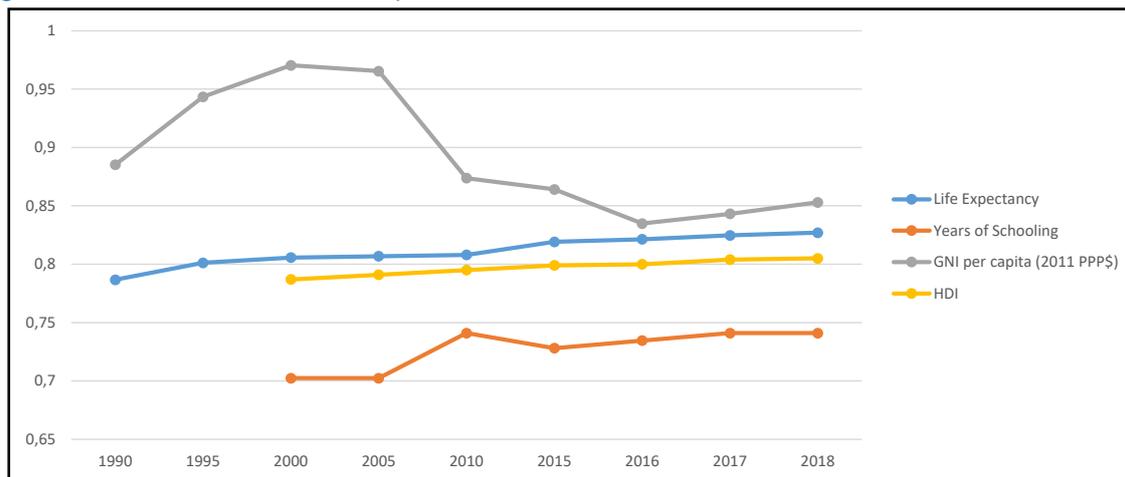
■ Figure 6. Distribution of employed population by quintile and employment sector



Source: 2013 Household Expenditure Survey

Nevertheless, the average quality of life is high, as evidenced by the Human Development Index (HDI) score that rose from levels of 0.778 in 1990 to 0.805 in 2018. This value of HDI puts The Bahamas in the very high human development category, positioning it at 60 out of 189 countries and territories. Bahamas' 2018 HDI of 0.805 is below the average of 0.892 for countries in the very high human development group and above the average of 0.759 for countries in Latin America and the Caribbean.⁷⁰ Figure 6 shows the trends in HDI and some of the main components.

■ Figure 7. Trends in Bahamas' HDI component indices 1990–2018



Source: UNDP. Human Development Report 2019

The Bahamas embraced the 2030 Agenda for Sustainable Development in The National Development Plan Vision 2040. The Sustainable Development goals aim at: (a) ensuring inclusive and sustainable economic growth with quality job creation and decent work for all, (b) ensuring social inclusion to facilitate access to quality education and health

⁷⁰ UNDP (2019) Human Development Report 2019. Inequalities in Human Development in the 21st Century. Briefing note for countries on the 2019 Human Development Report. Bahamas hdr.undp.org/sites/all/themes/hdr_theme/country-notes/BHS.pdf.



care, and (c) promoting safe and resilient communities and environmental protection. One key barrier identified by UNDP and IDB analysis for the achievement of these goals is public institutions, which require strengthening, increased accountability, transparency, and effectiveness.⁷¹

A clear example of the Government's limitation to implement modern and efficient social policies is the RISE (Renewing, Inspiring, Sustaining, and Empowering) Program. In 2012, the Government together with the IDB commenced a social protection reform program to modernize the delivery of social protection in the country. RISE was a Conditional Cash Transfer (CCT) aimed at tackling poverty, particularly among children, and improving educational and health outcomes amongst poor households. But although the program had the necessary technical organization, the IDB evaluated that it lacked practical thinking about what was possible in The Bahamas given the political economy issues surrounding the necessary challenging reforms. Less than 50% of the targeted 12,000 families were enrolled in it, and in 2017 the project was closed.⁷² Since then, social programs in The Bahamas remain inadequate without new technical and political strategies to reach 12.5% of poor living across the islands.

The NIB, the Ministry of Social Services and Urban Development, and the Ministry of Labour oversee the country's social protection system and the provision of social protection mechanisms. The NIB provides ten cash benefits and four cash assistance. The benefits are paid for Sickness, Maternity, Funeral, Retirement, Invalidity, Survivorship, Unemployment, Injury, Disablement, and Death. The assistances are the Old Age Non-Contributory Pension, Invalidity, Survivors' and Sickness. Benefits are awarded to insured persons who meet prescribed contribution conditions, while assistance is awarded to national residents who do not qualify for a particular benefit, after a means evaluation.⁷³

The Ministry of Social Services and Urban Development is responsible for administering noncontributory benefits and targeted subsidies designed to ensure access to health, education, housing or public utilities, and family care and services. The non-contributory benefits include food allowances (monthly food coupons), financial assistance (for clothing and household and personal items), disability allowances, and the national school lunch program among other smaller benefits.⁷⁴ The expenditures for the Department of Social Services in the FY2018/2019 was B\$34.4 million and is projected to rise 42% to \$49 million in the FY2020/2021 according to the proposed budget.⁷⁵

Only a small number of households have ever applied for assistance from any one of the social programs. The two most common programs, in terms of the percentage of households that have ever applied to them, were Food Assistance (5.3%) and Unemployment Benefit (4.6%). For all programs, the main reason for which households did not apply was that they did not qualify for the program. At the national level, 32.1% of households reported that they had received at least one social program.⁷⁶

As mentioned, when analyzing current social policies for the pandemic, the structure of social protection policies in The Bahamas faces two main problems. Firstly, that the contributory logic behind the largest programs excludes informal workers. Non-contributory policies are targeted at the poorest citizens and take the form of very specific subsidies for goods and services. When the country attempted to create a modern and comprehensive CCT program it was closed due to outstanding inefficiencies in its implementation. This leads to the second problem, which is the lack of updated records and data on household coverage and income. The last household survey was carried out in

⁷¹ Government of The Bahamas (2018) Op.cit; IDB (2018) Country Program Evaluation. Bahamas 2010-2017. Office of Evaluation and Oversight (OVE)

⁷² IDB (2018). Op.cit.

⁷³ National Insurance Board. Accessed June 15th 2020. www.nib-bahamas.com/m1869/Benefits-and-Assistance.

⁷⁴ Government of The Bahamas (2018). Op.cit.

⁷⁵ The Government of The Bahamas. The National Budget 2020/2021. Accessed June 10th 2020 www.bahamasbudget.gov.bs.

⁷⁶ Department of Statistics (2013) Household Expenditure Survey 2013.



2013, so without current information, it is impossible to plan a policy response to poverty and inequality. Thus, there is a pressing need to improve social statistics and registers to target help and subsidize appropriately, avoiding problems like the once faced by the RISE program.

6. Conclusions

Due to the COVID-19 pandemic, The Bahamas is facing greater danger in the economy than in the health scenario. While the COVID-19 cases and death toll seem under control, in large part due to the fast actions taken by the Government, the impact on tourism is threatening the country with increasing unemployment and rising poverty. With an economy heavily dependent on tourism, the shutdown of international travel has increased unemployment to historic levels. The Bahamas must look at the long term diversification of its economy to avoid crises based on tourism like the current one. The United Nations, through initiatives such as the Support to Small Island Developing States (SIDS), can collaborate to develop specific strategies to support the growth of other economic sectors.

Following the crisis generated by Hurricane Dorian in 2019, the COVID-19 will affect public finances even further. The 2020/2021 budget already projects a historic deficit, which will result in an increase in public debt and a negative balance of payments. The financial analysis recommends that the Government should consider the use of external reserves and emergency increases in taxes (e.g. gasoline consumption) to reduce the deficit and allow for the implementation of a robust social spending package. The costs that may derive from the fiscal deficit and debt increase should not constrain the emergency increases in social spending. The Bahamas has already requested emergency loans from IMF and IDB and should pursue the support of multilateral institutions through the long recovery period ahead.

The Government designed a range of stimulus programs to support affected businesses and workers. However, this strategy puts a lot of emphasis on registered activities and employees. Although labor informality is lower than the regional average, estimates put the informal economy around 20 to 30% of the total GDP.⁷⁷ Assistance through goods and services as well as direct subsidies might fall short in helping those sectors of the population most affected by the crises. The document proposes a shift from food assistance to a wider unemployment benefit that can help maintain consumption and facilitate reducing the number of programs the Government is currently operating. This last point is especially important due to the lack of up to date register and statistics. The UNDP could play a significant role in collaborating with the improvement of national statistics and their implication for social policy planning.

With the beginning of phase 5 of the reopening and the reactivation of international tourism, The Bahamas will have a better sense of the behavior of tourism for the coming months. The reactivation will also expose the lasting effects on unemployment and poverty, as well as the effectiveness of the government's response. The UNDP, as the development agency of the United Nations, will continue to collaborate on policymaking design and support member states in their pursuit of solutions to the challenges ahead.

⁷⁷ Peters, Amos (2017), Op.cit.

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