



FINANCING PROPOSAL

N° _____

BENEFICIARY COUNTRY / REGION	<i>The Commonwealth of The Bahamas</i>		
REQUESTING AUTHORITY	<i>The Government of The Bahamas, represented by the National Authorising Officer</i>		
TITLE	<i>Support to the social and economic development of the Family Islands in the Commonwealth of The Bahamas</i>		
TOTAL COST	<i>Total amount envisaged for the action: € 10,200,000</i> <i>EC contribution: € 6,830,000</i> <i>Government of The Bahamas contribution (including BNT): € 3,370,000</i>		
AID METHOD	Project approach		
IDENTIFICATION N°	BM/002/05	ALLOCATION (NIP/RIP) (+ Specify if A or B envelope)	EC contribution: 6,830,000 € (3,900,000 € from NIP 9th EDF and 2,930,000 € from balances of previous EDF transferred to 9th EDF)
DAC-CODE	43010	SECTOR	Multi sectors aid

1. RATIONALE

1.1 Strategic framework

Following the ACP-EC Partnership Agreement signed in Cotonou in June 2000, a Country Strategic Paper (CSP) and a National Indicative Program (NIP) defining the areas of the European Union support to the Bahamas were signed in February 2003. The 9th EDF response strategy follows the Government of the Bahamas development approach and thereby seeks to reduce regional socio-economic imbalances in the archipelago.

The specific objective of the 9th EDF support is to stimulate development in the Family Islands through a comprehensive capacity building programme, thereby reducing the migration of residents to New Providence in search of opportunity for employment and income.

The major areas of support envisaged are: capacity strengthening for local government agencies, civil society organisations and the private sector in the Family Islands so that infrastructure

development programmes, key services and productive endeavours can be achieved in tourism, agriculture, aquaculture, fishing and food processing.

An indicative allocation of 6.83€ (3.9million euro 9th EDF NIP +2.93 million euro balances from previous EDF) is available to cover the development activities to be implemented under 9th EDF support to the Bahamas (Envelope A).

The present project aiming at reconstructing some essential infrastructure services in the Family Islands, and promoting their social and economic development, fits into the Government's development strategy. The proposed funding includes six sub-projects. The sub-projects are:

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

The proposal is in line with both the objectives of the 9th EDF and present Government policies including Poverty Reduction measures.

1.2 Lessons learnt

The Bahamas has only to a limited extent taken advantage of international donor funding. EU funding under previous EDF amounts to 16.8 m euro, of which 2.93 m euro remained unspent and was transferred to the 9th EDF.

Any problems encountered in the implementation of previous projects will be carefully reviewed and will serve as practical lessons for the project preparation and implementation. Specific focus will be put on verifying the quality of the design and tender documents, and on the rigorousness of the construction supervision.

As in many ACP countries maintenance is a critical factor in order to ensure sustainability of the investments. It is therefore recommended that the maintenance issue will be specifically addressed in the financial agreement with the Government.

1.3 Complementary actions

The EU has been supporting the Government of Bahamas' development strategy since 1986 through the EDF. Several projects of diverse nature, mainly focused on infrastructure, were successfully implemented since the start of the Community's assistance with the 6th EDF, and complemented further with the 7th, 8th and the current 9th EDF.

Because of its perceived status as a higher income developing country, The Bahamas has not had a large number of donors providing assistance in its development and transformation: it was formally

graduated by the World Bank in 1988 and does not qualify for assistance from DFID. Other international donors, such as the Inter-American Development Bank (IDB) and the Caribbean Development Bank (CDB), are providing assistance through loans to the Education sector, to the development of the private sector (principally tourism), to regional initiatives in the Caribbean and towards efficient administration of Land use. However, the assistance provided by international donors does not specifically target the Family Islands.

1.4 Donor coordination

The Donors co-ordination is mainly done by the Ministry of Trade and Industry, through consultation of the different institutions and stakeholders concerned by a particular project. However, no donor co-ordination took place for this particular intervention because the EU is the only donor present in the Family Islands.

2. COUNTRY CONTEXT

2.1 Economic and social situation

The Bahamas is a stable, developing nation with an economy heavily dependent on tourism and offshore banking. Tourism alone accounts for more than 60% of GDP and directly or indirectly employs half of the archipelago's labour force. Steady growth in tourism receipts and a boom in construction of new hotels, resorts, and residences had led to solid GDP growth in recent years, but the slowdown in the US economy and the attacks of 11 September 2001 held back growth in these sectors in 2001-03. Financial services constitute the second-most important sector of the Bahamian economy, accounting for about 15% of GDP. However, since December 2000, when the government enacted new regulations on the financial sector, many international businesses have left The Bahamas. Manufacturing and agriculture together contribute approximately a tenth of GDP and show little growth, despite government incentives aimed at those sectors. Overall growth prospects in the short run rest heavily on the fortunes of the tourism sector, which depends on growth in the US, the source of more than 80% of the visitors. In addition to tourism and banking, the government supports the development of a "third pillar," e-commerce.

The Bahamas scores well on the Human Development Index of the UNDP (50th in 2003). Life expectancy is over 69 years, with other indicators comparable to those of a developed country. However, despite its high per capita income, there is a recognition that there are pockets of poverty, and possibly even of extreme poverty, in some urban areas within New Providence and in the outer Islands.

2.2 Development policy of beneficiary country

The country's development strategy is to create a sustainable social development across the islands of the archipelago through sustainable economic growth.

2.3 Sector context

The social and economic centres in The Bahamas are in the islands of New Providence and Grand Bahama having 85 % of the country population. 9 % of the Bahamas' population lives in Abacos, Andros and Eleuthera and only 6 % in the remaining Family Islands. The uneven distribution is also reflected in The Bahamas Living Condition Survey 2001, which shows a poverty rate of 8 % for New Providence and Grand Bahama while it is 13% for Abaco, Eleuthera and Andros and as high as 20% for other Family islands.

The Living Condition Survey also shows a significant lower educational level and employment rate for the Family Islands as well as a high immigration rate. There is a strong need for infrastructure and social improvements, which can support social and economic growth in the Family Islands and thereby give a more fair and optimal balance in the Bahamian economy and in the social structure.

However, due to lack of funding, the Government of Bahamas has put on hold the implementation of its policy to strengthen the economic and social development in the Family Islands. This resulted in a slower socio-economic development of these islands compared to the main economic centres (New Providence and Grand Bahama). Furthermore, some of the small islands have experienced a mere exodus of especially young people, which has further worsened the social situation. The major problems addressed in the present project can be summarised as follows:

Project	Major problems addressed by the sub-project
Eco-Tourism Training Centre	Lack of training facilities for present and potential SME operators especially in the tourism and fishing industry
Fresh Creek Dock	Lack of port facilities for export shipping of fish to Nassau and Freeport and to Florida.
Duncan Town Dock	Lack of port facilities for export of fish to Nassau and Freeport and for on and off loading of cargo and supplies.
New Bight Int'l Airport	The present air terminal is completely insufficient to support the planned development in the tourism sector at the island.
Duncan Town Airport	The airport will be closed in short time for safety reasons and will leave Ragged Island without air connection.
Spring Point Northerly Roads	The road is in very poor condition and is seen as a major hindrance for internal transport between the settlements of the island.

The present situation of that each individual sub-project intends to address is presented in Annex.3.

3. DESCRIPTION

3.1 Objectives

The overall objective of the project is to reduce socio-economic imbalances in the archipelago of the Bahamas by stimulating sustainable development in the poorer Family Islands, whilst the specific objective is to stimulate economic growth in Family Islands.

3.2 Expected results and main activities

The expected results of this intervention are reduced transport costs between and within the islands of The Bahamas through improved transport infrastructure, provision of better access to marketplaces and the development of tourism and fisheries sectors in the Family islands. For individual sub-projects, the strategy to remedy the problems identified above and their respective expected results are as follows.

Sub-project 1: Eco-Tourism infrastructure and Training Centre, Andros Island

This sub-project intends to create an eco-tourism training centre where local entrepreneurs can learn how to create and operate businesses and start up SMEs.

Apart of the positive short-term effect of creating local employment during the design and execution of the works, this sub-project once completed will hold a great potential for creating sustainable jobs and for improving the local economy through recreational and commercial fishing industries, eco-tourism and other SME's. This sub-project is expected to reduce poverty by creating dozens of jobs (directly and indirectly) through expanding capacity, access and facilities to the four national parks in Andros.

Sub-project 2: Fresh Creek Dock, Andros Island

This sub-project intends to restore the docking facilities at Fresh Creek to their full capacity.

The reconstruction of the dock will facilitate the shipping of sea food and fruit products to Nassau and Freeport and will make the import of goods and products to the island easier and cheaper. It may also increase the influx of tourists to Andros. The reconstruction of the Fresh Creek dock will regenerate economic activity in general and especially in the fishing sector of the southern half of North Andros.

Sub-project 3: New Bight International Airport, Cat Island

This sub-project intends to provide a new airport terminal at New Bight (Cat Island) in order to meet future demand from domestic traffic and from the international tourism market. The expected result of the sub-project is to contribute to the social and economic development of the island by providing higher and more sustained opportunities for jobs creation and income potential, especially in the tourism sector. The spin-off effect of the project is that the airport will meet international safety standards with respect to the location of the terminal building and apron. The proposed upgrading of the airport means that it can obtain the minimum requirements to be classified as entry airport for international passengers (ICAO category 3 C or D).

The proposed airport project will have a short-term employment impact during the construction phase as local workers and possibly also a local contractor can participate in the construction work. The long-term effect is the potential of more jobs in the tourism sector as new hotels and resorts will be opened supported by the improved air access. The new jobs will increase the social standard and living conditions of the islanders. An upgraded airport will also support a potential export of fish products to Florida. Today the fresh fish is consumed at Cat Island itself.

Sub-project 4: Duncan Town Dock, Ragged Island

The sub-project includes the rehabilitation of the channel and providing a ro-ro ramp and improved access road at the present Duncan Town dock. A new approach road allowing for larger vehicles to exit will be built in a southerly direction, some 300 m (1000 ft) long and connecting to the town roads.

The access to the sea from Ragged Island is through a 3.0 km long and 10 m wide artificial canal, which at present is silted, and too shallow to allow access for the mail boat. Presently the mail boat and other vessels offload their cargo to smaller boats outside the canal, while heavy goods are unloaded directly on the beach from barges at a location named Gun Point at the northern end of the island some 3.5 km from Duncan Town. This location is exposed to the Atlantic Ocean, and cannot be used during adverse weather.

The limited usability of the dock has reduced the possibilities of exporting fish products and salt, has made the import of goods and products to the island more difficult and costly, and the transport of people a cumbersome affair. The implementation of the project means that the transport of heavy