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Development Banking in 21st Century Bahamas

By

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at the

2nd Eleuthera Business Outlook

Cape Eleuthera

BAHAMAS

24th April, 2014

Good afternoon ladies and gentlemen

It is indeed a pleasure for the Bahamas Development Bank to share at this 2nd Annual Business Outlook here in Cape Eleuthera. I would like to express gratitude to Mrs. Joan Albury and her team for affording the Development Bank this space. I have joining me also a team of officers as well as one or two members of our Board in support of this event and on hand to respond to any questions you may have concerning the Bank and its operations.

I would also like to express my appreciation to the great people of Eleuthera for the courtesies and hospitality extended to my team and many others while we anticipate a new course to be chartered for Eleuthera. We are also seizing this opportunity to pay courtesy calls on many of our existing clients today and tomorrow and to say that I feel right at home would be an understatement. I would be also be remice not to state that I have strong family ties to this great Island. I have fond memories of the island of Eleuthera, having spent several summer holidays here as a little child. Indeed my connection to this beautiful island is grounded in my deep ties to the rich heritage of a place referred to as the island of the free and the land of pineapples.

History of the Bahamas Development Bank

The Development Bank (BDB), one of the most pivotal and crucial institutions founded in a post-independent Bahamas began operations in 1978, having been established by an Act of Parliament in October 1974. Hence, this year we will be celebrating the 40th Anniversary of the Bahamas Development Bank Act and almost 4 decades of unbroken operation and service to the Bahamian people throughout the archipelago.

The mandate of the BDB as specified in its governing legislation is to promote the growth and development of small and medium sized enterprises in The Bahamas. As we are all aware, SMEs are the lifeblood and engine of any economy. It is therefore important for the Government to implement policies and promote programs aimed at stimulating this sector of our economy.

In recognition of the aforesaid fact and the challenges faced by SMEs, successive governments have sought to use the BDB as a catalyst to spur the necessary growth in this sector. Foreign Direct Investments (FDIs) have been and continue to be a major component of our economic model and policy. While FDIs create jobs for Bahamians, the BDB's role over the years has been to foster the

spirit of entrepreneurship within our people and encourage the creation of industries, businesses and indirect jobs from the FDIs. This in turn has translated into local investments by Bahamians in our country and the development of the domestic economy.

The Development Bank & Eleuthera

The Development Bank has what we consider to be substantial ties with the island of Eleuthera, having financed various projects over the years and today having a current Eleuthera portfolio of just under \$3m in projects. Financing have spanned across multiple industries including fisheries, agriculture, manufacturing projects, transportation (and in particular financing mailboat operations, which represents the best performing industry of the Bank's portfolio. Additionally, the Bank has financed the construction and/or expansion of small boutique hotels and/or lodges here on Eleuthera, Harbor Island and throughout the archipelago.

Challenges faced by the Bank

Many of these projects have faced challenges over the years, whether due to under capitalization, lack of marketing support or other forms of business development support and technical assistance, natural disasters such as hurricanes or adverse economic conditions. Indeed, Mr. Thomas Sands has reminded the Bahamian public by way of a press release ahead of this event that the island has unfortunately been in a recession for the past three decades. This we can attribute in part to the lack of critical mass.

With a renewed focus on reinventing and repositioning the Bahamas Development Bank to meet the needs of the business owner in a 21st Century Bahamas, the Bank's Strategic Plan for 2014-2018 anticipates increased focus on family island development among other demographics including women and young people. Having demonstrated our commitment to the island of Eleuthera, there's no reason to suggest that BDB will not continue to explore opportunities to finance here.

A new strategic direction

As indicated earlier, the BDB has been a facilitator of SMEs in line with the Government's plan. However, the Bank has had and continues to have its fair share of challenges. There are legacy

issues that have plagued the Bank with the most apparent one being the high delinquency ratio and non-performing status of many of our loans. In recognition of this reality, upon assumption of office about seven months ago, we embarked on a mission to reinvent the BDB by developing a strategic plan, putting together a corporate governance framework and policy in line with international best practices, implementing a robust risk management framework, including more stringent lending practices and doubling our recovery efforts to reduce the delinquency ratio.

It is anticipated that greater focus will be given to encouraging prospective entrepreneurs in starting businesses in the areas of Agriculture, Alternative Energy and diverse forms of manufacturing. These industries form a small portion of our portfolio. However, we recognize that these industries are the industries that have the greatest export potential and increased job creation which fits into the Government's overall plan to move toward food security, energy efficiency and diversification of the Bahamian economy.

Increased opportunities & assistance for clients

In this instance, BDB is committed to preparing its clients to seize the opportunities and in some instances threats that lie ahead in today's world - depending upon how you see things. Consequently in a world of globalization and multi-lateral agreements and adverse fiscal positions of governments, which has prompted fiscal reform exercises worldwide and in the specific case of The Bahamas where we are faced with the proposed implementation of VAT, indeed, greater focus will be placed on preparing our clients to export their goods and services not only domestically but regionally and internationally.

It is for this reason, BDB re-established the Business Advisory Services Unit to prepare our clients for existence in a 21st Century world, by facilitating public private partnerships between the institutions and professionals in the Bahamian economy who can render technical assistance including but not limited to accounting, legal, marketing and business plan development support. We anticipate partnerships with the private sector as well as our government counterparts such as BAIC.

Consequently, it's not inconceivable that we here in The Bahamas can develop, support and promote our very own Gordon "Butch" Stewart or John Issa who took their Jamaican born brands of Sandals and Superclubs Breezes respectfully to the Caribbean region including presence on the

shores of The Bahamas. We have the opportunity to build our clients and provide them with the necessary assistance to prosper in the local Bahamian economy and indeed to export their products and/or service to the Caribbean region. Sandals is a billion dollar brand that continues to expand its presence throughout the region with recent developments in Barbados and Grenada to add to its presence in Jamaica, St. Lucia, The Bahamas and Antigua.

Neither is it inconceivable that the trade that mailboat operators facilitate domestically can be expanded to region and other parts of the world in an environment of multilateral trade agreements.

BDB as a catalyst for economic empowerment

Forty years after our attainment of political independence, the prevalent commentary has been the need for economic empowerment and fiscal independence for the Bahamian people. BDB is ready to play a significant role in making this dream a reality for Bahamians in the 21st century. However, in order for this to happen, certain changes are necessary. The current BDB Act has become archaic and has not evolved to meet the demands of 21st century Bahamas. Additionally, the Bank's business model has not kept pace with the changing demographics and dynamics of the Bahamian economy.

In recognition of the importance of growing SMEs in The Bahamas, the current administration in its Charter for Governance has committed to repositioning the Bank to again become a key player in creating jobs and expanding SMEs. The Government's plan for the BDB as documented in the Charter is aimed at differentiating the Bank from commercial banks by reinventing BDB to be more of a merchant bank or investment bank. The Charter further reads:

"This reinvention will force the Bank's management to evaluate the risk of each business application from a different perspective, while also obliging the Development Bank to develop a wider array of assistance-focused products."

The management team of BDB under my leadership has embraced the Government's vision for the Bank and we have begun repositioning the institution for rehabilitation and future profitability. With the reestablishment and expansion of our Business Advisory Services Department, we will be increasing the level of ongoing technical support provided to our clients

and customers by collaborating with the private sector, professionals and other strategic partners. The Bank is also prepared to widen its product suite in line with provisions of the Charter for Governance to include the provision of capital in diverse forms, credit enhancements via guarantees in favor of lenders and investments in financing instruments.

Ladies and gentlemen, the BDB is poised to reemerge as the main catalyst for SMEs in The Bahamas and Eleuthera will not be left behind. We remain dedicated to this objective knowing that in order for the required changes to occur and anticipated impact to be made, fortitude, resolve and support by the Government, the Bank and the Bahamian people will be mandatory. As indicated in the Charter, "a key requirement in the reinvention of the Bank will be the removal of partisan political considerations in evaluating grants, credit or other aspects of the management process." Indeed the Prime Minister articulated the future of the BDB when he surmised during the 2012/2013 budget communication that the mandate of the Bank will be refocused. It is incumbent upon us to preserve the rich history and legacy of the Bahamas Development Bank for future generations.

I thank you for your attention and good afternoon.