



Air Transport Reform Program

**(BH-L1027 & BH-L1040 /
2682/OC-BH & 2683/OC-BH)**

Project Completion Report (PCR)

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ELECTRONIC LINKS

1. [Development Effectiveness Matrix \(DEM\) Summary](#)
2. [Changes to the Results Matrix](#)
3. [Final version of the Progress Monitoring Report \(PMR\)](#)
4. [PCR Checklist](#)

OPTIONAL ELECTRONIC LINKS

1. [Impact Evaluation Report](#)
2. [Exit Workshop Presentation](#)
3. [Products](#)

ACRONYMS AND ABBREVIATIONS

AA	Airport Authority
AAIA	Aircraft Accident and Investigation Authority
ATC	Air Traffic Control
BANS	Bahamas Air Navigation Services
BCAA	Bahamas Civil Aviation Authority
CAA	Civil Aviation Authority
DR	Dominican Republic
FAA	Federal Aviation Administration
GBH	Government of The Bahamas
GDP	Gross Domestic Product
IATA	Air Transport Association
ICAO	International Civil Aviation Organization
IDB	Inter-American Development Bank
LPIA	Lynden Pindling International Airport
MoTA	Ministry of Tourism and Aviation
PBL	Policy Based Loan
PCR	Project Completion Report
RTCL	Reimbursable Technical Cooperation Loan
UK	United Kingdom
US	United States

BASIC PROJECT INFORMATION

^BH-L1027 Air Transport Reform Program

Country Beneficiary Bahamas	Loan Instrument Policy-Based Loan	Borrower BH-BH - THE COMMONWEALTH OF THE BAHAMAS	Loan(s) 2682/OC-BH	Sector Transport	Sub-Sector Transport
Date of Board Approval Dec 14, 2011	Date of Eligibility for First Disbursement Dec 19, 2011	Date of Closure (CO) Jul 16, 2020	Loan Amount - Original 47,500,000.00	Loan Amount - Current 15,000,000.00	Pari Passu N/A
Total Project Cost 50,000,000.00	Months in Execution from Approval 103	Months in Execution from First Disbursement 103	Original Date of Final Disbursement Dec 16, 2016	Actual Date of Final Disbursement Dec 16, 2019	Cumulative Extension(Months) 36 Months
Total Amount Disbursed 15,000,000.00	Total Percentage of Disbursement 32%				

^ Ratings of project Performance in PMRs



Has This Project Received Funds from another Project? ☐ Yes ☒ No

Has This Project Sent Funds to Another Project? ☐ Yes ☒ No

Development Effectiveness Classification: Partly Successful

^ Bank Staff



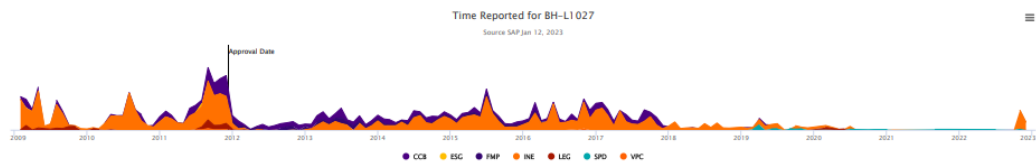
Positions	At PCR Jul 16, 2020	At Approval Dec 14, 2011
Vice-President VPS	Rodriguez-Ortiz,Ana	Levy,Santiago
Vice-President VPC	Rosa, Alexandre	Vellutini,Roberto
Country Manager	Turner-Jones,Therese (CCB/CCB)	Johnson, Gerard (CCB/CCB)
Sector Manager	Aguerre,Jose Agustin (INE/INE)	Rosa,Alexandre Meira (INE/INE)
Division Chief	Roa,Nestor H. (INE/TSP)	Roa,Nestor H. (INE/TSP)
Country Rep	Carrera Marquis,Daniela (CCB/CBH)	Wynter,Astrid (CCB/CBH)
Project Team Leader	Persaud,Christopher (TSP/CBH)	Diez Roux,Esteban (INE/TSP)
PCR Team Leader	Persaud,Christopher (TSP/CBH)	N/A

^ Staff Time and Cost



Stage Project Cycle	# of Staff Weeks	USD (including Travel and Consultant Costs)
Preparation	79.0	465,075.60
Supervision	128.9	690,870.53
Total	207.9	1,155,946.13

^ Time



I. INTRODUCTION

Located in the northeastern Caribbean, The Bahamas comprises 700 islands and cays with a total land area of 5,383 square miles spread over 100,000 square miles. The distances, remoteness and low population densities of the Bahamian islands present significant challenges to the transportation sector within the country. While bulk cargo is largely transported by water, tourists and residents of the archipelago depend mainly upon the airways for inter-island and international transport.¹ The Bahamian economy is based on two pillars: tourism and international financial services both of which are aviation intensive. Of these, tourism is by far the dominant industry and the economic mainstay of the country.

Air transport is critical to the health of the tourism industry in The Bahamas, representing almost the exclusive mode of transport for tourists with overnight hotel stays. In 2010, air arrivals totaled 1.3 million passengers, out of which 80% arrived from the United States (US).² A troubling feature of international tourism arrivals in The Bahamas is the growing number arriving by cruise ship rather than independently by air.

The objective of this Air Transport Reform Program Policy was to promote the development of safe, secure, and efficient air transport in The Bahamas in adherence with international standards. This objective was to be achieved through a comprehensive reform of the existing institutional and regulatory structure, which required the implementation of new institutional and legal frameworks and arrangements to enhance financing opportunities and infrastructure management. The importance of the improvement of the aviation sector in The Bahamas cannot be underestimated as the sector facilitates the growth of the country's main economic driver, the tourism sector, which accounts for 51% of Gross Domestic Product (GDP) growth and directly and indirectly employs 60% of the labor force. Moreover, although the majority of visitors enter the country via cruise ships, historically, the air segment brings in the majority of visitor expenditures to the country, estimated at roughly US\$2,000³ per person per four-night stay. As a result, the development of the tourism industry and the subsequent revenue gains from tax collections and international trade and transactions taxes, are heavily dependent on a modern and successful aviation sector.

To implement the proposed reforms, the Government of The Bahamas (GBH) developed a set of policy guidelines that served as the framework for the new sector policy. These guidelines were as follows: (i) the GBH would restructure the civil aviation institutional framework to reinforce the appropriate separation of the functions of policy making, implementation of regulatory functions, airport operations and air navigation services, security, and accident/incident investigations; (ii) the GBH was committed to transforming the Civil Aviation Department into a Civil Aviation Authority (CAA), a professionally managed regulating entity with the right to collect its own financial resources through licensing and certification of equipment, flight crew personnel and aviation maintenance; (iii) the Airport Authority (AA) would aim to be a financially autonomous body funded by the collection of appropriate airport fees and charges and be responsible for the operation and development all publicly owned airports; (iv) the GBH would play a lead role in the development and maintenance of air transport sector infrastructure to meet the

¹ The Bahamas Civil Aviation Policy (Green Paper), Patrick Rolle, Director of Civil Aviation, November 2010.

² Data provided by the MTA.

³ At the time of loan preparation in 2011.

socioeconomic needs of the country, subject to sound business cases being made, and the availability of funds; (v) each airport would aim to be a fully commercialized as a business corporation and expected to operate on a business like basis, increasing efficiency and covering as much of its costs from customers, and avoiding any type of price discrimination, however, in cases where the airport cannot sustain itself the GBH would subsidize its operation; (vi) the CAA in collaboration with the private sector would be encouraged to develop specific training programs and encourage the establishment of aviation training institutes to ensure an industry wide standard and approach to training; and (viii) as a priority the GBH would seek to reduce the environmental impact of engine noise and emissions, and promote the replacement of aging aircrafts with more modern aircrafts, which have less adverse effects on the environment.

The Program was structured with the following components: (i) a two-tranche Policy-Based Loan (PBL) component (US\$47.5 million: US\$15 million and US\$32.5 million); and (ii) a Reimbursable Technical Cooperation Loan (RTCL) (US\$2.5 million). The two tranche PBL structure was utilized as it provided strong incentives not only for the GBH to embark on the reform process, but also to provide time for the full implementation of the new institutional structure adopted as part of the policy reform. The RTCL, in turn, aimed to provide the necessary technical assistance to the GBH during the design and implementation of the reforms.

This Project Completion Report (PCR) analyzes achieved results, sustainability of the results, and lessons learned. To this end, a **development objectives-based methodology** was used to assess the operation's performance through three core criteria: (i) the relevance of its objectives and design at approval and during implementation; (ii) its effectiveness in achieving planned objectives; and (iii) the sustainability of its results. From the analysis of the core evaluation criteria (relevance, effectiveness and sustainability), the general performance of the policy-based program is considered Partly Successful.

II. CORE CRITERIA. PROJECT PERFORMANCE

2.1. Relevance

a. Alignment with country development needs

The program was designed to address the policy, regulatory, and institutional challenges that limited the performance of Bahamas' aviation sector. Its development objectives were fully aligned with the country's development needs and priorities, both at the time of approval and during this evaluation at the end of the program. As stated before, a robust air transport sector is key to promote tourism the country, which is one of the country's priorities.

At the time of approval, no national development strategy was in place. However, the program was consistent with the strategy defined under the National Development Plan: Vision 2040, a roadmap for the future development of The Bahamas prepared jointly by the Economic Development and Planning Unit in partnership with the Inter-American Development Bank, in 2015-2016.⁴ The plan included a comprehensive policy framework to guide government decision making and investment over the next two decades and remains valid at the time of this report.

In this long-term plan, the air transport policy reforms are under the initiative for "creating and implementing a national transport strategy including strategic investments and

⁴ [National Development Plan: Vision 2040](#).

effective policy environment (Strategy 10.1)” to promote economic growth through stronger transportation infrastructure and services. Specifically for the air transport sector, the plan aspires to: (i) increase capital investment in airports on Family Islands and New Providence; (ii) rationalize air transport links with the goal of reducing the cost of transportation and ensuring smooth connections between different airlines and other forms of transport; and (iii) implement organization changes to limit the potential for conflict between different institutions of the aviation sector.

b. Strategic alignment

The objectives of the program, during its design, was aligned with the Bank’s Country Strategy 2010-2014 for The Bahamas (GN-2558), approved in February 2010. Infrastructure development was identified as one of the central tenets in the strategy, given the current deficit in coverage and quality of infrastructure and the central focus of the strategy of helping to position the economy for long-term sustainable economic growth, being transport a priority sector. Accordingly, in the air transport sector, the strategy committed to focusing on: (i) the institutional, legal, and regulatory reforms necessary to raise and maintain operational safety and security to internationally accepted standards; and (ii) increased private participation in the sector for the modernization of airports infrastructure.

Throughout the implementation phase, the program was aligned with the Country Strategy 2013-2017, which acknowledged that the air transport sector was in the process of significant reform, but challenges related to the sustainability of inter-island services remain. Moreover, Country Strategy 2018-2022 has stressed out that the insufficient maintenance and upgrading of vast and aging airport infrastructure hamper access to basic services and increase the cost of doing business. Hence, it stated as one of the goals the upgrade airport infrastructure. To achieve that, strong institutions to diagnose and plan investments, and regulations to follow-up the safety of air services, are key to keep airports not only well-maintained but safe.

The program was consistent with the Update of the Institutional Strategy (UIS) 2010-2020 (AB-3008), aligned with the challenge of productivity development, by promoting the formation of human capital with a technical profile in the sector; and with the cross-cutting issues of institutional capacity and the rule of law, since the operation contributed to the consolidation of the institutional framework for the air transport, with the implementation of high-level organizations for the aviation sector and regulations to oversee air transport services in terms of safety and security.

c. Relevance of design

At approval, the general objective of this program was to promote the development of safe, secure, and efficient air transport in The Bahamas in adherence with international standards. The design of the program, at the level of the products formulated into its components and the definition of outcome indicators and expected impacts, was fully aligned with the general objective of the program. Although no specific objectives were specified at project approval, for the purpose of the program’s evaluation, the team has formulated the below three specific objectives, aligned with the three dimensions included in the general objective (i.e. safe, secure and efficient air transport), and distribute the outcome indicators based on the vertical logic of the operation. Consequently, the General Objective was to promote the development of the air transport sector in The Bahamas in adherence with international standards.

- (i) **Specific objective 1: The air transportation sector has increased safety.** A safer civil aviation sector would translate into a lower number of incidents and accidents involving airplanes in the air territory of Bahamas. Hence, the outcome indicator 2.1 Number of civil airplane incidents per year was aligned under this specific objective.

The reforms associated to this result are related to an autonomous and independent Bahamas Civil Aviation Authority (BCAA) with responsibility mainly for issuing and enforcing technical regulation and safety norms, following the international air safety standards; the creation of an independent accidents investigation body, with its norms, regulations and operations manuals; these new institutions should be financially sustainable and possess adequate human resources;⁵ the upgrade of the Air Traffic Control (ATC) equipment to meet relevant International Civil Aviation Organization (ICAO) standards; and the establishment of basic standards and procedures for environment, health and safety and emergency preparedness at all airports.

- (ii) **Specific objective 2: The air transportation sector has increased security.** The program's design did not propose an indicator to measure the dimension linked to aviation security.⁶ States along with international agencies, such as ICAO, do not report publicly results and indicators from audits about air transport security, to avoid the misuse of information for unlawful interference. A proxy for this indicator can be the percentage of American passengers who are pre-cleared⁷ in the authorized airports (Freeport⁸ and Nassau), in line with the agreement signed by The Bahamas and the US in 1978 (and updated in 1978, 1988, and 1999). In order to pre-clear passengers to US, The Bahamas needed to approve some security protocols, based on international and US standards, and maintain the systems, staffing, infrastructure and equipment in place.⁹ The goal of the indicator is that 100% of passengers to US continue being precleared in Freeport and Nassau, which means that The Bahamas authorities have adapted and complied throughout the time with the new security regulations issued by the US and ICAO (Annex 17).

The reforms associated to this result are related to the establishment of cargo hazardous management procedures, the upgrade of management of existing airports and optimize existing Family Islands airports network prioritizing investments; and also, norms and regulations under AA and BCAA to ensure

⁵ At the end of program the BCAA, BANS, AIA and AA all received funding from Government through annual allocation in addition to revenues generated by these entities. Staffing was a working progress with staffing levels generally needing to be improved.

⁶ Aviation security means all safeguards in place to the crew, ground personnel and the general public against acts of unlawful interference with civil aviation, through regulations, practices and procedures [Annex 17](#).

⁷ This means that air passengers going to US will complete immigration and customs process in The Bahamas, instead in the US soil.

⁸ This service was discontinued at the Freeport Airport in 2019 after the airport terminal building was destroyed by Hurricane Dorian.

⁹ The American government, through Transportation Security Administration and Federal Aviation administration, does periodic missions to certify that the airport had US-equivalent security screening procedures in place. [The Preclearance Authorization Act of 2015](#) detailed the requirements foreign airports need to follow to allow Customs and Board Protection (CBP) pre-clearance. If the conditions are not met, and audits identified potential security threats and non-compliance, the airport will be not able to perform these activities anymore.

harmonization with best international standards in air security. An independent BCAA and AA also contribute to the oversight of norms' compliance.

- (iii) **Specific objective 3: The air transportation sector has increased efficiency.** Under this program, a more efficient civil air transport implies lower operational costs for the aviation sector in The Bahamas, which leads to better international air connectivity. Hence, the outcome indicators aligned to this specific objective are: (i) the International Air Transport Association (IATA) connectivity index; (ii) average operating expenses per traffic unit; and a new indicator; (iii) average revenue earned per traffic unit. This last indicator is important to take into account that increased efficiency can also imply an increase in revenue per traffic unit (the target for the indicator was set to mirror the 10% decrease in average operating expenses, i.e. increase 10% average revenue).

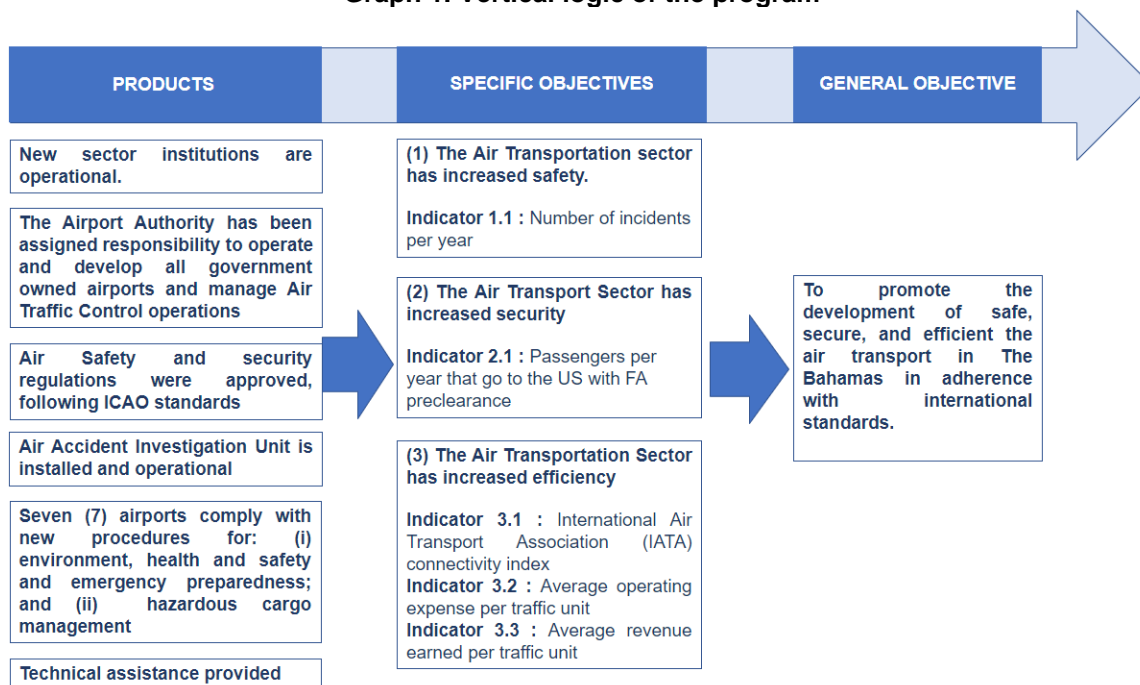
The reforms associated to this specific objective are related to the strengthening of the AA to operate and develop all government owned airports, improved management of these airports and optimization of existing airports and Family Islands airports network through prioritized investments; and the establishment of standards for energy and water use and conservation in airports. In addition, The Bahamas Air Navigation Services (BANS) improve the management of ATC operations in The Bahamas control airspace, with adequate and sustainable financing and activities in line with the international best practices in the aviation sector.

International good practices show that the trend is to separate regulatory functions from operational functions to ensure adequate supervision of service providers. Some countries such as the US, India, and New Zealand had implemented reforms and institutional arrangements that imply collaboration beyond the pure public and pure private models. In addition, these reforms promote the development of the aviation sector, while ensuring that safety standards are met with optimal financial results.¹⁰

A clear link was demonstrated in the vertical logic of the intervention, in the context and circumstances of the country, both during the conceptualization and development of the operation. Graph 1 shows the sequence of interventions, made up of precise and concrete measures aimed at increasing the performance of air transport institutions.

¹⁰ Reforming Civil Aviation Authorities: the why and how of effective de-linking - shaping future. Retrieved at: <https://algnewsletter.com/aviation/reforming-civil-aviation-authorities/>.

Graph 1. Vertical logic of the program



The approach developed is highlighted in two consecutive phases technically linked to each other but financed independently in tranches where the products of the policy matrix of Phase 1 contributed to the achievement of those of Phase 2. The interventions went from the general to specific, initially establishing the priorities of the reform and the institutional framework needed, preparing the necessary legislative, regulatory, planning and process improvement instruments, and proceeding to the specific secondary regulations. With this arrangement, some emblematic achievements of the program were:

- (i) The New Civil Aviation Act of 2016, that modernized the civil aviation regulations of The Bahamas.
- (ii) The establishment of the BCAA, which was vested with the responsibility over technical regulations and its enforcement for the aviation sector with a defined organizational structure, clear lines of responsibility, approved and allocated annual budget, and adequate professional staff to meet its responsibilities according to international best practices and the ability to charge for its services. BCAA was renamed the Civil Aviation Authority Bahamas in the 2021 Act of the same name.
- (iii) The Airport Authority Amendment Act (2016) empowers the AA, making it in charge of planning, operating and collecting fees for the government owned airports inclusive of those in the Family Islands, which are key airports for the tourism sector. It's responsibilities include: (a) management, maintenance and operations of airports; (b) provision of airport security and facilitation; (c) development and operations of the airport as commercial viable entities; (d) development of master plans and land use plans in relation to each airport; (e) setting fees and charges for airports in accordance with ICAO/IATA recommendations and collection of aeronautical and non-aeronautical fee and charges; and (f) planning, financing, and implementing of capital projects to ensure the infrastructure of each airport meets the operational and service needs.

- (iv) The creation of the autonomous Aircraft Accident and Investigation Authority (AAIA) of The Bahamas through the act with the same name, in 2019. The act stressed that this Authority has independence in the conduct of the investigation and have unrestricted authority over its conduct, as the international practice suggests. This Act has followed by secondary norms and regulations to operationalize the work of the authority.
- (v) The installation and operation of the new radar in Nassau Airport - Lynden Pindling International Airport (LPIA), with the objective to bring about more safety to air operations in Bahamas air space.

The RTCL component was part of this program, as it was critical to support the PBL loan achieving their objectives, in particular the completion of items (i) to (v) above. The products of the RTCL were technical studies and consultancies to facilitate policy discussion and decision-making actions. Those activities were: (i) a review of the existing and proposed institutional framework and sector financing; (ii) defining the roles of different stakeholders in the new institutional structure; (iii) assessing the need for changes in additional legislation to implement the proposed structure; (iv) developing business plans (including human resources and finances) for the new structure; (vi) assisting the government of Bahamas in the execution of the implementation plan; and (vii) inter-island transport study, including air and maritime transportation Plan for Family Island Airport Optimization.

As evidenced above, the program design was relevant to the reform of the air transport sector for the development of safe, secure, and efficient air transport in The Bahamas in adherence with international standards. Given the strong alignment the score for the relevance section is Excellent.

Table 1. Results Matrix (@ approval, Startup plan and @exit)

Indicators	At approval			Startup plan			At project completion (PCR)			Comments
	Unit of measure	Baseline	EOP (P)	Unit of measure	Baseline	EOP (P)	Unit of measure	Baseline	EOP (A)	
Specific objective 1: The air transportation sector has increased safety										
1. Number of incidents per year	Base points	100	85	Base points	100	85	Base points	100	217	The EOP number of incidents per year exceed that of the baseline, hence the reduction target was not met.
Specific objective 2: The air transportation sector has increased security										
2. Passengers per year that go to the US with FA preclearance	NA	NA	NA	NA	NA	NA	Percentage	100	100	<p>This indicator was added after start-up since a measure of specific objective of increased security was absent.</p> <p>The target was to maintain the pre-clearance status with the US for 100% of the passengers, while complying with all new regulations issued by the US Federal Aviation Administration (FAA).</p> <p>The Bahamas was successful in maintaining its pre-clearance status with the US indicating compliance with all new regulations issued by the US FAA</p>
Specific objective 3: The air transportation sector has increased efficiency										
3. International Air Transport Association (IATA) connectivity index	Number	6	7	Number	6	7	Number	6	7.68	The EOP Connectivity Index exceed the target value, hence the increase in connectivity was achieved.
4. Average operating expenses per traffic unit	Base points	100	90	Base points	100	90	Base points	100	128	The EOP operating cost per traffic unit exceeded that of the baseline, as such, the reduction target was not achieved.

Indicators	At approval			Startup plan			At project completion (PCR)			Comments
	Unit of measure	Baseline	EOP (P)	Unit of measure	Baseline	EOP (P)	Unit of measure	Baseline	EOP (A)	
5. Average revenue earned per traffic unit	NA	NA	NA	NA	NA	NA	Base points	100	117	<p>This indicator was added after start-up since increased efficiency can also be equated to an increase in revenue per traffic unit.</p> <p>The target was to increase revenue from air traffic by 10% as a measure of users' willingness to pay for improvements in efficiency.</p> <p>Considering growth in revenue as new indicator, there was an increase in the revenue per traffic unit over the baseline year.</p>

2.2. Effectiveness

a. Statement of project development objectives

The objective of this program was to promote the development of safe, secure and efficient air transport in The Bahamas in adherence with international standards. This objective would be achieved through a comprehensive reform of the existing institutional and regulatory structure, which required the implementation of new institutional and legal frameworks and arrangements and legal frameworks for financing and infrastructure management.

The achievement of the program objective can be evidenced from the ICAO's Universal Safety Oversight Audit Programme that monitors countries fulfillment of their safety obligations through periodic audits. These audits are conducted on country system implemented by states to conform to ICAO's safety related standards and recommended practices for the aviation sector. Audits were carried out for Bahamas in 2009, 2018 and 2021. A comparison of audits results from 2009 (prior to the PBL) and 2021 (after PBL) revealed an increase in the following effective areas of implementation which were addressed by the policy condition of the PBL. The policy and legislative reforms promoted by the PBL contributed to a 17% increase in the performance of The Bahamas in the areas of Legislation, Organization, Airworthiness and Accident Investigation which also is above the World average.

Table 2. ICAO USOAP Scores

	2009	2021	World (Present)
Legislation	84.2	95.2	75.9
Organization	50	80	71.4
Airworthiness	78.4	90	82.5
Accident Investigation	64.1	89	54.4
	69.2	88.6	68.6

b. Results achieved

The policy conditions for the first tranche disbursement of the PBL were achieved and the disbursement was made in December 2011 just after contract signature. The original disbursement period of the PBL was five years and the Government requested and was granted two extensions taking the disbursement period to eight years and the final disbursement date to December 16, 2019. At the end of this period seven out of the ten specific sectorial policy conditions for disbursement of the second tranche of the loan included in Clause 3.05 of the special conditions of loan contract 2682/OC-BH were complied with, as evidenced by the Means of Verification (MOV) provided by the GBH to the Bank. The activities under the RTCL were also completed. The results achieved for the two tranches of the PBL and the RTCL were as follows.

PBL Tranche 1

Completed policy conditions. All of the nine tranche conditions were completed.

- (i) Policy on the aviation sector reform ("white paper"), separating policy making, regulatory and operational functions, has been approved by Cabinet.
- (ii) Cabinet approved white paper provides for the creation of an independent and autonomous CAA, responsible for technical regulation of the aviation sector.
- (iii) Cabinet approved white paper provides for the transfer of all responsibilities for airport operation and ATC operations to the AA.

- (iv) Cabinet approved white paper provides for the assignment of responsibility for accident and incident investigation to a newly created body, completely independent from the regulator and operator.
- (v) Guidelines for a comprehensive strategy for Family Islands airports' optimization to satisfy the new aviation sector policy and obligations of the AA have been approved by Ministry of Tourism and Aviation (MoTA).
- (vi) Evidence of the approval by MoTA of the bidding documents for the procurement of radar equipment for LPIA (Nassau airport), according to the standards of ICAO.
- (vii) Environment, health and safety and emergency preparedness standards and procedures for airports are under preparation.
- (viii) Hazardous cargo management procedures are under preparation.
- (ix) Standards for energy and water use and conservation in airports are under preparation.

Table 3. Tranche 1 results attribution

Specific objective	Tranche 1 Policy conditions attribution
1. The air transportation sector has increased safety	(i); (ii); (iii); (iv); (vi); (vii); and (viii)
2. The air transportation sector has increased security	(i); (ii); (iv); (vii); and (viii)
3. The air transportation sector has increased efficiency	(i); (ii); (iii); (iv); (v); (vi); and (ix)

PBL Tranche 2

Completed policy conditions. The seven completed conditions were:

- (i) Clause 3.05 (a). "evidence that legislation to implement the policy on the aviation sector reform (included in the "white paper") has been approved by Parliament and is in implementation".
- (ii) Clause 3.05 (b). "the CAA has been created and has been operational for at least three months, with responsibility over technical regulations of the aviation sector and ability to charge for its services, with defined organizational structure, lines of responsibility, approved and allocated annual budget, and adequate professional staff to meet its responsibilities according to international best practices".
- (iii) Clause 3.05 (c). "the AA has been assigned the responsibility to operate and develop all government owned airports in The Bahamas and to manage ATC operations in The Bahamas control airspace, with defined organization structure and lines of responsibility, revenue strategy in place to meet its financial obligations, and adequate professional staff to meet its responsibilities according to international best practices".
- (iv) Clause 3.05 (e). "a new financial structure is in place to implement the policies for: (i) a financially stable CAA with sufficient resources to meet its responsibilities; (ii) an AA that operates on a commercial basis (cost-recovery oriented) five airports (Marsh Harbour Abaco, North Eleuthera, San Salvador, Governor's Harbor and Exuma - Moss Town); and (iii) adequate budget allocations of the GBH for other airports in the Family Islands as deemed necessary".
- (v) Clause 3.05 (f). "a comprehensive strategy for Family Islands airports' optimization to satisfy the new aviation sector policy and obligations of the AA, including timeline and resources for its implementation, has been finalized and approved by Cabinet".

- (vi) Clause 3.05 (g). “evidence of the acquisition, installment and operation of new radar equipment for LPIA (Nassau airport)”.
- (vii) Clause 3.05 (j). “the standards for energy and water use and conservation in airports have been approved by Ministry of Tourism and Aviation”.

Table 4. Tranche 2 results attribution

Specific objective	Tranche 2 Policy conditions attribution
1. The air transportation sector has increased safety	(i); (ii); (iii); (iv); (v); and (vi)
2. The air transportation sector has increased security	(i); (ii); (iii); (iv); and (v)
3. The air transportation sector has increased efficiency	(i); (ii); (iii); (iv); (v); and (vii)

Incomplete policy conditions. The three incomplete policy conditions for the disbursement of the second tranche of the loan were main contributors to safe operation of infrastructure and were critical to the achievement of the program objective as elaborated below. These incomplete policy conditions were the primary reason for the second tranche disbursement not being achieved within the disbursement period and are linked to specific objectives 1 and 3.

- (i) Clause 3.05 (d): This clause called for an independent entity for the investigation of accident and incidents in the aviation sector. The Legislation passed in 2016 to address the establishment of a unit for accident and incident investigation needed to be reinforced according to the ICAO 2017 audit. The ramification of not having an independent body is a lack of trust from international aviation stakeholders with regards to the results of any investigation conducted by the local body. This was addressed through legislation subsequent to the close of the program and is now fully compliant with ICAO recommendations.
- (ii) Clause 3.05 (h): The safe operation of the country’s airports is critical for the Tourism industry which is the largest earner and employer in The Bahamas. The seven airports named in the program for verification of their operations, all have schedule international flights and are also the busiest airports. The main findings of the independent verifications were that the airports were lacking adequate safety management systems in that the procedures to handle safety issues and emergencies were not well documented and staff were not sufficiently trained. In addition, equipment and infrastructure were not adequate for safe operation of the airports which included fire-fighting gear and equipment, fire truck water capacity, equipped fire stations, removal of runway obstacles, and provision of markings for visual operation.
- (iii) Clause 3.05 (i): The management, handling and storage of dangerous goods is vital for the safety of air travel and airport operation. The July 2019 independent assessment identified the following actions to improve compliance: (a) the BCAA has to establish a stronger surveillance process in terms of air transport of dangerous goods; (b) training of airport staff, customs, carriers and other stakeholders on dangerous goods management; (c) prepare and post signage with appropriate terminology for dangerous goods; and (d) designate area(s) in the airports for storage, inter-modal transfer, and temporary transit storage for dangerous goods.

The completion of the actions required to improve the compliance of the seven airports with the established standards were the critical path activities for the fulfillment of the policy conditions and required concerted effort, planning and resources (time and finance) to complete. The institutional items such as plans, procedures systems and training were numerous and while these could have been achieved with a small amount of resources,

the absorptive capacity of the AA and other stakeholders would have resulted in another extension being required. Even though PBLs concentrates on policy and procedural aspects of aviation, it was difficult to separate the infrastructure and equipment requirements as they are fundamental for the safe and secure operation of the airports and hence compliance with the policy conditions. The identified need for infrastructure and equipment was estimated to cost around US\$10 million and would have needed around two years to complete. Consequently, the second tranche policy conditions were not completed within the 36-month extended disbursement period (over the initial 60 months) and the corresponding financing (68% of the PBL amount) was cancelled upon expiry of the disbursement period.

Reimbursable Technical Cooperation Loan

The RTCL was used to fund the following activities towards the achievement of the policy conditions in the PBL:

- (i) Draft legislative instruments to provide a basis for the implementation of the reform program:
 - (a) Draft Civil Aviation Bill
 - (b) Draft Airport Authority (Amendment) Bill
 - (c) Draft Civil Aviation (Investigation of Accidents and Incidents) Regulations
 - (d) Draft Civil Aviation (Safety) (Amendment) (No.3) Regulations
 - (e) Draft Civil Aviation (Air Navigation) (Amendment) Regulations
 - (f) Draft Civil Aviation (Civil Penalties) Regulations
- (ii) Detailed organization structures, job descriptions, on-the-job-training profiles and staffing levels for the following entities:
 - (a) Bahamas Civil Aviation Authority
 - (b) Bahamas Air Navigation Services
 - (c) Accidents and Incidents Investigation Department
 - (d) Bahamas Family Island Airport Department of the Airport Authority
- (iii) Upgrade security equipment at the airports on Bimini, San Salvador, Exuma, and Eleuthera (Governor's Harbour and North Eleuthera) to meet relevant ICAO standards.
- (iv) Preparation of the following strategies, manuals, procedures and plans:
 - (a) Comprehensive Strategy for Optimization of Family Island Airports
 - (b) Environmental Guidelines for Airports in The Bahamas
 - (c) Preparation of Health and Safety Standards for Airports in The Bahamas
 - (d) Emergency Preparedness Plans for Airports in The Bahamas
 - (e) Hazardous Cargo Management Procedures for Airports in The Bahamas
 - (f) Energy and Water Use and Conservation in Airports in The Bahamas

Table 5. Results achieved matrix

Specific objectives/indicator	Unit of measure	Baseline value	Baseline year	Targets and actual achievement		% Achieved	Means of verification
Specific objective 1: The Air Transportation sector has increased safety							
1. Number of incidents per year	Base points	100	2012	P	85	0	Aircraft Accident Investigation Authority Database https://www.baaaid.org/accidents
				P(a)	85		
				A	217		
Specific objective 2: The Air Transportation sector has increased security							
2. Passengers per year that go to the US with FA preclearance	Base points	100	2012	P	100	100	MoTA statistics https://www.tourismtoday.com/services/statistics
				P(a)	100		
				A	100		
Specific objective 3: The Air Transportation sector has increased efficiency							
3. International Air Transport Association (IATA) connectivity index	Number	6	2010	P	7	168	Air Connectivity - Measuring the connections that drive economic growth https://www.iata.org/air-connectivity-measuring-the-connections-that-drive-economic-growth/
				P(a)	7		
				A	7.68		
4. Average operating expenses per traffic unit	Base points	100	2012	P	90	0	Nassau Airport Development Company Annual Reports https://nassaulpia.com/about-lpia/
				P(a)	90		
				A	128		
5. Average revenue earned per traffic unit	Base points	100	2012	P	110	170	Nassau Airport Development Company Annual Reports https://nassaulpia.com/about-lpia/
				P(a)	110		
				A	117		

Discussion of results

Specific objective 1: The air transportation sector has increased safety

An examination of statistics presented on the AAIA website for the last 20 years reveals a marked increase in the number of accidents investigated starting from around 2014. This coincided with the preparation of sector legislation which raised the awareness of the roles and responsibilities of each sector stakeholder. Also, at this time, the accident investigation unit begun to classify occurrences as accident and serious incident and incidents and short investigations with the latter being a new classification. The EOP incidents were more than two times higher than the baseline. The improved mandate and capacity of the AAIA may have led to an increase in the number of air incidents identified, recorded and investigated. It is difficult to establish the level of under reporting of incidents that took place prior to the reforms and establishment of the new investigation authority.

Specific objective 2: The air transportation sector has increased security

Bahamas is one of six countries with US preclearance where all security and immigration processes are completed prior to entering the US and passengers are treated as local travelers at the US destination airport. The FAA conducts periodic audits of safety and security systems and infrastructure at foreign airports and assigns a category, where category 1 is the highest level of compliance and is possessed by LPIA in Nassau. At the EOP, The Bahamas was successful in maintaining its pre-clearance status with the US indicating compliance with all new regulations issued by the US FAA. In doing so the passengers using this facility increased by 27% at the end of the program implementation.

Specific objective 3: International Air Transport Association (IATA) connectivity index

The IATA connectivity index is an indication of the level of integration of a country air transport sector with the global network and was published for The Bahamas in 2009, 2014 and 2019. Taking a conservative approach, the computation of the program results was made using the 2014 value of the index as the baseline value rather than 2009 since it was at the early execution of the program and was also higher than the 2009 index value. The increase in connectivity index at the EOP was 28% over the 2014 value which exceed the planned increase of 16.67%. In air travel terms, there were 28% more international seats available to The Bahamas in 2019 as opposed to 2014.

Specific objective 3: Average operating expenses per traffic unit

The average expense per traffic unit was computed using data for the LPIA which accounts for 80% of traffic of airports with scheduled international flights and produced annual financial statements over the program execution duration. Nonetheless, the information from these reports were not sufficiently disaggregated to distill expenses that were only associated with aircraft movements in the airport, and it was assumed that 50% of the cost was associated with aircraft movements. Comparing the 2012 and 2019 expenses against aircraft movements, there was an increase of 28%.

Lowered cost may not be an appropriate measure of increased efficiency in a sector that is heavily regulated at the international level and is driven primarily by market forces external to individual airports and countries. The experience gathered on this project indicated that improving regulations and compliance with international standards comes at an increased cost, while the efficiency gains to sector stakeholders comes in the form of harmonized regulations that leads to reduced transaction time and simplified market access. In financial terms for an airport operation these efficiency gains may be better

represented by increased revenue per traffic unit as stakeholders are willing to pay for the gains of a better regulated sector.

Specific objective 3: Average revenue earned per traffic unit

The revenue collected by LPIA associated with aircraft movements were disaggregated into fees collected for landing, terminal gates, loading bridges and apron parking. The total revenue was compared for 2012 and 2019 and an increase of 17% was observed.

c. Counterfactual analysis

In any PBL, it is difficult to clearly determine the attribution of the policy reforms with the attained results. In this case, however, it is clear that the policy reforms were instrumental in attaining the results actually achieved. In the case of the two indicators where results were not achieved, it is difficult to know if the incidents indicator has been affected by better reporting (associated with improved oversight), while the average cost indicator, as mentioned above, may have not been the appropriate indicator given the specific objective.

In addition, it is expected that in general terms the reforms will contribute to the growth of air tourism in Bahamas. Thus, a quantitative causal evaluation was performed with the objective to measure the impact of the Civil Aviation law and its regulations, approved in 2016 in The Bahamas, in the increase of flow of passengers between US and The Bahamas. The analysis focused on these flows justified for the following reasons: (i) the availability of historical information at the US database; and (ii) US represents around 80% of the market share in air transport passengers to The Bahamas. The study used a Synthetic Difference in Differences (SDID), which is a new strategy to estimate a causal average policy effect in large panels with the union of the best features of classical difference in differences and synthetic control. The results show a causal positive impact two-year after the implementation of the reform: a net average effect of 13.7 percent in the flow of passengers between the US and The Bahamas.

These results follow what the literature in the matter found regarding air transport reforms and the increase of passengers' flows. In 2006, the Dominican Republic (DR) promulgated a new civil aviation law, that modernized the legislation to cope with the new safety and security standards defined by the FAA, and the ICAO. The law set an autonomous institution to define the air transport policies and to carry out the technical and economic regulations of the civil aviation, air traffic control, investigation of accidents and sector's oversight; incorporate the Chicago Convention agreement and its annexes under the national framework, and a more flexibility for foreign operators and relaxation of ownership requirements for national operators.

Using a synthetic control and differences in differences models, [the study on DR](#) case found an estimated net effect of 15.5% increase in GDP per capita between 2006-2012, which can be translated in US\$607. The study also found an increase between 23% and 27% in the participation of passengers going to the DR from the US, controlling for passengers going to other destinations. Moreover, due to the policy changes, the increase in US tourists to the DR increased tourism spending by between 837 million and 1,016 billion US\$ between 2006-2012. The results show a causal relationship between the reforms and the increase of passengers, thus positively impacting the economy. Furthermore, the increase in the number of passengers due to policy changes in turn increased the taxes collected by the State, creating new revenue for the DR government (OACI; BID; 2019).

Small Island Developing State, as The Bahamas and DR, rely on the air transport for international tourism, business and family trips. An [Oxford/IATA study](#) found that the aviation sector contributed US\$480 million to the economy (6.6% of GDP) and supported around 10,600 jobs in The Bahamas. Included within these figures were the indirect impacts of the industry's locally based supply chain (including the distribution sector delivering aviation fuel; the catering sector and the construction industry building or maintaining facilities at airports) and the induced impacts generated through the household spending of those employed by the sector and its supply chain (IATA/Oxford, 2009).

The results on The Bahamas' study also follow correlation studies and empirical experiences on the implementation of air transport safety, security and oversight regulations, and economic development. For example, safety regulations are crucial for the aviation sector, and governments are still the main agency in charge of ensuring air safety through laws, regulations, means of enforcement and active policies. Safety reputation might affect a traveler's choice of destination of airline. ICAO found, using an econometric model, that a 10% percent improvement in the effective implementation of a state's safety oversight (based on the ICAO's audits on the adherence on international safety regulations) is positively correlated to, on average, an additional 1.8 percent of aircraft departures from the state concerned ([ICAO, 2019](#)).

Aside of the compliance with the ICAO security and safety regulations, best practices in mature markets have shown that the separation between the air transport economic regulator, policy decision-maker, air navigation control, aviation accidents and incidents investigator and airport manager is key for a fully functioning institutional arrangement that minimize conflict of interest. For example, in the United Kingdom (UK), the Civil Aviation Authority regulates the aviation safety, the Department of Transport defines the policy, NATS is a private company that provides air navigation system, and the Heathrow Airport Holdings Limited - the new British Airports Authority after privatization - manage the main UK airports. In the US, the National Transport Safety Board is an autonomous institution that investigate transport incidents and accidents - including air transport accidents - and report straight to the Congress. Hence, the institutional reforms in The Bahamas have followed these experiences, by creating The Bahamas Airport Authority, The Bahamas Civil Aviation Authority, and the Air Accidents and Incidents Authority as autonomous institutions, meanwhile the Ministry of Tourism, Investments and Aviation is the policy-maker.

d. Unanticipated outcomes

The Government went a step further than the policy condition to create an independent AAIA rather than a department. The authority has since in addition to investigating accidents, has also improved its transparency on the outcomes of aircraft accident investigation by publishing reports online with public access for accidents and serious incidents as well as incidents and short investigations. In 2021, the AAIA released its first occurrence analysis report for the period 2016-2021 heighten the consciousness of the aviation industry, general aviation in particular, to the nature of accidents and incidents in the industry to serve as a learning tool.

The improved sector governance and capacity contributed to the negotiations with the US FAA to continue managing The Bahamas airspace for 10 years and provide data on international overflights for the country to bill and collect fees. These fees have been estimated to amount to between US\$20 to US\$30 million annually and these funds will finance the aviation regulatory bodies namely CAAB, BANSa and AAIA.

The final rating for the effectiveness section is Partly Unsatisfactory. This is owing to one of the three specific objectives being rated as unsatisfactory, a second rated as partially unsatisfactory and the third as excellent. The percentage ratio of the outcomes that were achieved is only 56%.

2.3. Sustainability

a. General sustainability aspects

The policy reforms received support from two successive Governments as both made efforts to complete the reforms and has continued to legislate for the sector beyond the 2016 legislation after the PBL has closed as is evident in the approval of the: (i) 2019 and 2021 AAIA act and regulations; (ii) 2021 Civil Aviation Act; and (iii) 2021 CAAB act all of which updated the previous 2016 acts to improve the robustness of the legal frameworks and reconcile any compliance shortcomings with ICAO regulations. Nonetheless there are a few areas that have a bearing on the sustainability of the program results as identified below.

- (i) The lack of the so much needed funds to achieve the pending policy conditions. As mentioned, The Bahamas did not comply with the established environment, health and safety, emergency preparedness, and hazardous cargo management procedures in all seven international airports (Nassau, Freeport, Marsh Harbour, Abaco, North Eleuthera, San Salvador, Governor's Harbor and Exuma). The majority of non-compliance came from important infrastructure and equipment investments, though training and manuals are also needed in most of the airports.
- (ii) Adequate financing levels are maintained ideally from user fees to support the hiring and retention of personnel and the funding of activities required to be performed by the new institutions, such as the CAAB, AA, BANSa and the AAIA, to safeguard the oversight and operational obligations of these entities.
- (iii) The continuation of the update or harmonization of legislation and regulation, in the medium and long-term, as new directives are approved by ICAO, at the international level, thus allowing for continued adherence of The Bahamas to the international regulations.
- (iv) Natural disasters, such as hurricanes, that compromise the airport infrastructure and the required equipment to perform safety and security obligations. The hurricane Dorian has destroyed, in 2019, one of the main airports in The Bahamas - the Grand Bahama International Airport. Other natural disasters can produce the same effect in other international airports in the islands.

Table 6. Sustainability analysis

Risks	Probability factor	Expected Impact	Measures to improve sustainability
Lack of funds and regulations to achieve pending reforms	Changes inside organizations, lack of personnel, low priority to the air transport sector by following governments, no institutional capacity to write regulations	High	<p>ICAO has provided technical assistance under the No Country Left Behind Program to review and draft needed regulations.</p> <p>The IDB-financed Airport Infrastructure Program (BH-L1041) is financing the airport infrastructure requirements to comply with the standards in the a few Family Islands airport.</p> <p>International overflights fees that are now being collected will finance CAAB, BANSa and AAIA.</p>

Considering the above detailed sustainability analysis of the policy reforms in relation to the transport sector, the final rating for this section was Satisfactory.

III. NON-CORE CRITERIA

3.1. Bank performance

At preparation stage of the operation, the Bank analyzed the requirements for The Bahamas air transport sector to comply with its international obligations for aviation safety and security and the improvement of the sector's efficiency. It was recognized that resources would be required to achieve the policy conditions and the RTCL was included as part of the operation. During the execution of the PBL the Bank provided close supervision of the progress being made on the conditions through frequent meetings with the execution agency and sector stakeholders as well as administrative missions. Meetings were hosted by the Bank and provided the opportunity for aviation stakeholders that were directly involved in achievement of the policy conditions to provide progress updates and identify challenges that needed to be escalated to the decision makers to resolve. A tracking tool was developed to monitor the progress of all policy conditions and was updated after every meeting. The tool also included the identification of actions and responsible parties to resolve bottlenecks. The Bank kept the subject Minister informed of the progress towards achieving the policy conditions and flagged challenges to be resolved at Government level.

The Bank assisted the execution of the PBL by providing expert support through external consultants to: (i) appraise the reforms being pursued for alignment with the policy conditions; (ii) preparing documentation for airports to comply with new regulations and perform in a manner that would satisfy the policy condition; and (iii) make technical assessments of airports for compliance with the reforms.

Considering the above, the Bank's performance was rated as Satisfactory.

3.2. Borrower performance

In the preparation stage of the project the Borrower had prepared a draft air transport sector policy charting the way for The Bahamas to meet its obligations as part of its membership of ICAO. The policy conditions of the PBL were in alignment with the draft policy. The Borrower showed commitment to the reforms throughout the execution period of the operation which produced policy papers that were ratified by the Cabinet of Ministers, legislations approved in the parliaments and commitment was shown across two governments for implementation of policy reforms in the aviation sector. The successes and challenges implementing policy conditions are discussed below by thematic area.

Policy, institutional and financial sector reform. Legislation was passed in 2016 creating separate institutions to oversee policy, regulation, operations, and incident investigations. This led to the creation and operationalization of four new Authorities for the oversight, management and operation of the sector in CAAB, AA, BANSa, and AAIA. The 2016 Legislation passed for the establishment of the unit for accident and incident investigation was not in keeping with one aspect of ICAO recommendations for independence as the AAIA reported to the same Minister that had responsibility for the sector. This was subsequently rectified with new legislation after the close of the program.

Infrastructure management. The two policy conditions were complied with: (i) the approval of a strategy for the optimization of the Family Island airports along with the mandate for CAAB along with timeline and resources for implementation; and (ii) the purchase and installation of new radar equipment for a cost of US\$12 million at the Nassau Airport (LPiA) in compliance with ICAO standards.

Environment, health, safety and emergency preparedness. Standards were established for: (i) environmental, health and safety, and emergency preparedness for airports; and (ii) cargo hazard management procedures. These standards were in accordance with guidelines provided by ICAO in Annex 14 and 18. An independent verification of the compliance of the seven airports in the condition (Nassau, Freeport, Marsh Harbour, Abaco, North Eleuthera, San Salvador, Governor's Harbor and Exuma) with the established standards noted that there were shortcomings in the Family Island airports with systems and in particular the need for infrastructure and equipment estimated to cost around US\$10 million.

Considering the above, the Borrower's performance was rated as partly unsatisfactory as a portion of the second tranche policy conditions were not completed at EOP.

IV. FINDINGS AND RECOMMENDATIONS

4.1. Dimensions 1 to 5

Findings	Recommendations
Dimension 1: Technical	
Finding # 1: Policy conditions have to be carefully analyzed during preparation to determine the actions that are required for the policy condition to be achieved.	Recommendation # 1: Policy conditions that require complimentary investments in works and goods to be achieved should be avoided unless there is a source of funding preidentified to cover the interventions needed.
Dimension 2: Organizations and management	
Finding # 2: The achievement of PBL policy condition require a number of actions to be taken in an organized manner across many thematic areas.	Recommendation # 2: PBLs need dedicated project execution structure comprising of project management and subject matter specialists for the duration of its execution.
Dimension 3. Processes and public actors	
Finding # 3: Coordination between public actors is crucial to successful reform the complex and highly internationally air transport sector where a singular organization has to be subdivided and new entities created and operationalized for the development of the sector.	Recommendation # 3: The creation of new public agencies from a singular one requires close coordination between ministries responsible for: (i) the thematic area; (ii) legislation; (iii) finance; (v) public servants; and (v) the agency being sub-divided.
Dimension 4. Fiduciary aspects	
Finding #4: Execution of multi-tranche PBL in air transport can take a long time to comply with policy conditions for the second/subsequent tranche or eventually not comply for disbursement while accruing commitment fees.	Recommendation # 4: Programmatic PBLs provide more favorable terms to the Borrower as it negates the need to pay commitment fees on the undisbursed balance during the years it takes to comply with the later tranches policy conditions and mitigates the risk of having to cancel undisbursed amounts on PBLs.
Dimension 5. Risk management	
Finding #5: The reform of highly regulated sectors demands a number of actions to be taken by multiple parties to achieve the planned outcomes. Delays by one party may affect the pace of the reform or stall it in its entirety.	Recommendation # 5: A comprehensive risk analysis and allocation can increase the chances of success of reforms as risk can be identified and appropriate treatments or mitigation measures planned for.