

TC Document

I. Basic Information for TC

▪ Country/Region:	BAHAMAS
▪ TC Name:	Clean Energy Development and Implementation Support
▪ TC Number:	BH-T1103
▪ Team Leader/Members:	Aiello, Roberto Gabriel (INE/ENE) Team Leader; Esquivel Gallegos, Maricarmen (CSD/CCS) Alternate Team Leader; Acevedo Calle, Daniela (LEG/SGO); Alberto Elizalde Baltierra (INE/ENE); Hanna, Anthonique (CCB/CBH); Irati Jimenez Dorronsoro (INE/ENE); Juan Tulande Lopez (INE/ENE); Latoya Mckinney (CCB/CBH); Morales Vasquez, Nalda Orfilia (VPC/FMP); Paz Doblado, Ana Gabriela (VPC/FMP); Rochelle Johnson (INE/ENE)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	BH-L1057BH-L1048.
▪ Date of TC Abstract authorization:	06 Feb 2023.
▪ Beneficiary:	Ministry of Finance
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Infrastructure(W2B)
▪ IDB Funding Requested:	US\$250,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months
▪ Required start date:	15 April 2023
▪ Types of consultants:	Individual Consultants
▪ Prepared by Unit:	INE/ENE-Energy
▪ Unit of Disbursement Responsibility:	CCB/CBH-Country Office Bahamas
▪ TC included in Country Strategy (y/n):	Y
▪ TC included in CPD (y/n):	Y
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Environmental sustainability

II. Description of the Associated Loan

- 2.1 The IDB is supporting the countries efforts to overcome the country challenges in the energy sector with: a Conditional Credit Line for Investment Projects (CCLIP) “Reconstruction with Resilience in the Energy Sector in The Bahamas” (US\$170,000,000 BH-O006) and its first operation “Reconstruction with Resilience in the Energy Sector in The Bahamas” (US\$80,000,000 BH-L1048); a project-specific grant with the European Union that supports BH-L1048 “Reconstruction with Resilience in the Energy Sector in The Bahamas” (US\$ 9,010,980 BH-G0003) a non-reimbursable investment grant financed with resources from the European Union Caribbean Investment Facility; and several non-reimbursable technical cooperations: Supporting a Comprehensive Renewable Energy Program and Institutional Reform in the Bahamas (US\$750,000 BH-T1075); and Supporting Renewable Energy within the Implementation of the Electricity Act in The Bahamas (US\$450,000 BH-T1064) which has been satisfactorily completed. And, Institutional and Regulatory Strengthening of The Energy Sector (US\$150,000 BH-T1091) that it is still ongoing on support of the previously mentioned projects.

- 2.2 This TC will provide supervision support to loan BH-L1048 which is in the mid-term of its implementation and will also serve as preparation for the new loan BH-L1057. As mentioned above and derived from the successful disbursement of the TCs that have been supporting the development of the loans, a new TC is required to continue supporting the two loans.

III. Objectives and Justification of the TC

- 3.1 The objective of the proposed Technical Cooperation is to support the Government of The Bahamas to advance clean energy development in the country where still the energy matrix is almost 100% based on fossil fuels. The specific objectives are: (i) to support the preparation of the second operation of the CCLIP BH-O0006, (ii) to provide implementation support to the second operation of the CCLIP, and (iii) to strengthen the energy sector institutional and regulatory framework for the energy transition. The proposed support includes technical assistance, analytical assessments and support for knowledge exchange and dissemination events.
- 3.2 The proposed support includes technical assistance in new areas such as energy efficiency, analytical assessments, and support for knowledge exchange and dissemination events needed for implementing the existing operation and for the preparation of a new proposed operation. The Bahamas, a small open archipelagic economy, has continued to experience low growth rates and rising debt levels since the global financial crisis. Fiscal deficits and national debt levels are deteriorating, more importantly in the COVID-19 context, and foreign direct investments have declined.
- 3.3 Final energy consumption in the country is dominated by gasoline (40%), followed by diesel with 28 % and electricity with 24%. Transportation represents the largest energy consumption sector (around 40% of the total). Gasoline accounts for 76% of the total consumption in this sector followed by kerosene/jet fuel (12%) and diesel (11%). Together with an old power generation infrastructure, The Bahamas suffers from a high fuel import bill - 7% of Gross Domestic Product (GDP), high electricity prices, Electricity prices are around US\$0.25/kWh, compared to US\$0.142/kWh in the Caribbean region¹. -as well as a large and financially challenged utility - The Bahamas Power and Light (BPL) which experiences frequent power outages and elevated system losses. Volatile oil prices have contributed to making electricity tariffs among the highest in the Caribbean.
- 3.4 With a tourism and services-oriented economy, electricity is consumed by large commercial users 42.6% (mostly hotels); residential 34.8%; small commercial 8.3%; street lighting 1.9% and other 2.7%; and is concentrated in New Providence (about 75%). Despite the potential for solar and wind power generation and the steady cost decline of such technologies, The Bahamas ranks lowest in the region for Renewable Energy (RE) penetration (around 2%). Accelerating the transition to clean energy represents a unique opportunity for the country to enhance its energy security, meet its climate change action goals, contribute to economic development and employment opportunities. To address these objectives, the Bahamian National Energy Policy 2013-2033 set in 2014 the target of reaching approx. 30% of RE in the mix by 2030. In 2015, the Electricity Act of 1956 was repealed to allow RE utility-scale power generation as well as self-generation. In recent years, there has been increasing

¹ [Evolution of Electricity Rates in Latin America and the Caribbean.](#)

interest from commercial entities to pursue RE self-generation projects selling surplus energy to BPL. However, the current market governance and regulatory framework pose barriers to such developments in RE and private sector participation.

- 3.5 The Bahamas also faces challenges on natural hazards. On September 1st, 2019, the country was impacted by category 5 Hurricane Dorian, the strongest hurricane in the modern history of the country. Abaco and the East Grand Bahama were among the most critically affected areas. In Abaco Island, 90% of housing and infrastructure were damaged or destroyed. These areas are also two of the fastest-growing travel destinations in a country with an economy that is mainly driven by the Service Sector (79.1% of its GDP in 2018), due to tourism.
- 3.6 This TC is aligned with the IDB Strategy for the Commonwealth of the Bahamas 2018-2022 support resilient priority action. aligned with the Second Update of the Institutional Strategy 2020-2023 (AB-3190-2) through the development challenge of Productivity and Innovation by promoting innovative solutions for the institutional and regulatory development of the energy sector in the country and with the cross-cutting areas of: (i) Climate Change and Environmental Sustainability by promoting framework to generate the enabling environment for RE development. The TC is also aligned with the Energy Sector Framework (GN-2830-8) through the priority area of Energy Sustainability in terms of increased efficiency in energy use and a more prominent role for RE, and the IDB's Climate Change Framework by contributing to combating climate change and enhancing adaptation and resiliency.

IV. Description of activities/components and budget

- 4.1 **Component I. Project Preparation.** This component will finance studies and analytical work necessary for the preparation of the second operation of the CCLIP BH-O0006. The expected output of this component is to develop technical and feasibility studies and assessments, and the environmental and social due diligence for project preparation and supervision.
- 4.2 **Component II. Implementation Support.** This component will finance implementation support to the ongoing energy program (ongoing BH-L1048 and BH-G0003; and the new operation BH-L1057) and the early stages of the new operation as well as consultations and communication to address information gaps and ensure adequate stakeholders' engagement in sector reforms and energy transition. The expected output of this component is to prepare technical support reports on clean energy and energy efficiency diagnosis and workshops.
- 4.3 **Component III. Institutional Strengthening and Capacity Building.** This component will finance assessments for policy and regulatory recommendations to promote the energy transition as well as training, knowledge exchanges and capacity building activities. The expected outputs of these components are policy/regulatory gap analysis for the energy sector and recommendations; and training and capacity building for the stakeholders involve in the process.
- 4.4 The following table provides the total amount of funding need to achieve the expected outputs by main component. The total cost of this TC will be US\$250,000 which will be financed by the IDB Ordinary Capital (OC SDP Window 2 – Infrastructure W2B).

Indicative Budget

Activity/Component	Description	IDB/Fund Funding
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Component I.	Project Preparation	US\$80,000.00
Component II.	Implementation Support	US\$130,000.00
Component III.	Institutional Strengthening and Capacity Building	US\$40,000.00
Total		US\$250,000.00

- 4.5 Reporting, Monitoring and Evaluation: The progress of this TC will be monitored through its expected results, as defined in the Result Matrix (RM). The RM also defines the indicators and their expected timing. The team will be responsible for monitoring the evolution of these indicators and reports its physical and financial progress by Output and Component. The required information will be recorded in Convergence. The annual reports to be submitted will describe the progress toward completing each of the TC Components throughout its duration, presenting the degree of fulfillment of the output indicators and progress toward the outcomes of the RM as recorded in the updated Procurement Plan. It will also provide relevant information to identify any areas that require improvement and lessons learned.

V. Executing agency and execution structure

- 5.1 The Executing Agency (EA) of the TC will be the IDB, through the Energy Division (INE/ENE), in coordination with the IDB Country Office in The Bahamas. The technical responsibility will be overseen by INE/ENE. The focal point designated and sector specialist responsible for executing this TC will be Roberto Aiello, based in Jamaica, and will be supported by INE/ENE team based in Washington D.C. and the Country Office in The Bahamas with responsibilities well defined among team members according to their positions. This Bank's structure will provide the TC with experience gained in the execution of energy loans and technical cooperations related to the institutional and regulatory strengthening of the energy sector in The Bahamas and beyond supported with a letter from the Ministry of Finance.
- 5.2 The Bank has the support of the Project Execution Unit (PEU) in the execution of the loan (BH-L1048) and the grant (BH-G003). Furthermore, ENE has executed satisfactorily the following two technical cooperations in the energy sector in The Bahamas (BH-T1064 and BH-T1075 BH-T1091). The objective of the first TC was to supervise a contract to provide the Utilities Regulation and Competition Authority (URCA), the national electric regulator, with a series of studies related to this operation to improve the regulatory framework of distributed generation based on renewable energies. Additionally, the proposed Bank's structure has been bidding and supervising several contracts, funded by the BH-T1075 TC, to support the execution of the BH-L1048 loan as it relates to analysis and assessments to create a renewable energy entity/fund. It is expected that this operation will deal with institutions involved in the development of this new entity/fund, such as URCA, the Ministry of Finance, or BPL. Finally, a TC funded by the BH-T1091, is ongoing in support to strengthen the energy sector institutional and regulatory framework in the context of the sustainable energy transition BH-L1048.
- 5.3 **Procurement.** The activities to be conducted under this TC have been included in the Procurement Plan. The procurement processes will follow the Bank's procurement

policies. The Bank will hire individual consultants in accordance with the guidelines set out in AM-650. The hiring of consultancy firms will be carried out in accordance with policy GN-2765-4 and its operative guidelines (OP-1155-4). For logistics or other services different from consultancies, procurement will follow policy GN-2303-28.

VI. Major issues

- 6.1 The potential risk associated with this TC were identified; (i) A deficient coordination among the government representatives due to the current emergency situation could delay the TC implementation, this will be mitigated with the creation of a multi-institutional committee that will meet up periodically to follow-up on the status of the implementation; (ii) a lack of expertise to support key interventions required by energy actors (BPL, Ministry of Environment, Ministry of Works) in a timely fashion, the designation of a full-time technical expert dedicated to advising the MoF and BPL on energy planning, governance and RE coordination to move forward the agenda will help mitigate this risk; and (iii) the lack of understanding of RE issues which causes delays and a lack of buy-in on key energy activities. This risk will be mitigated with the support provided to outreach, communications, and raising-awareness among energy stakeholders.

VII. Exceptions to Bank policy

- 7.1 There are no exceptions to the Bank Policy.

VIII. Environmental and Social Strategy

- 8.1 Investments in infrastructure will only fund prefeasibility studies. Although the Environmental and Social Policy Framework (ESPF) does not apply to TCs, any risks associated with prefeasibility studies will be assessed and an Environmental and Social Risk Rating will be assigned. The studies to be developed will, to the extent possible, be aligned to the IDB's ESPF and Standards.

Required Annexes:

[Request from the Client - BH-T1103](#)

[Results Matrix - BH-T1103](#)

[Terms of Reference - BH-T1103](#)

[Procurement Plan - BH-T1103](#)