**TC ABSTRACT**

**I. Basic Project Data**

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| ▪ Country/Region: | BAHAMAS/CCB - Caribbean Group |
| ▪ TC Name: | Institutional and Regulatory Strengthening of The Energy Sector |
| ▪ TC Number: | BH-T1091 |
| ▪ Team Leader/Members: | Roberto Aiello (INE/ENE), Team Leader; Marcelino Madrigal (INE/ENE), Alternate Team Leader; Alberto Elizalde; Fabiola Baltodano; Federico Goldenberg; Juan Paredes; Augusto Bonzi and Fidel Márquez (INE/ENE); Ana Paz Doblado (VPC/FMP); Horacio Mendoza (LEG/SGO). |
| ▪ Taxonomy: | Client Support |
| ▪ Number and name of operation supported by the TC: | N/A |
| ▪ Date of TC Abstract: | 09 Aug 2021 |
| ▪ Beneficiary: | The Commonwealth of The Bahamas |
| ▪ Executing Agency: | Inter-American Development Bank |
| ▪ IDB funding requested: | US$150,000.00 |
| ▪ Local counterpart funding: | US$0.00 |
| ▪ Disbursement period: | 36 months |
| ▪ Types of consultants: | Individuals; Firms |
| ▪ Prepared by Unit: | INE/ENE - Energy |
| ▪ Unit of Disbursement Responsibility: | CCB/CBH - Country Office Bahamas |
| ▪ TC included in Country Strategy (y/n): ▪ TC included in CPD (y/n): | Yes No |
| ▪ Alignment to the Update to the Institutional Strategy 2010-2020: | Productivity and innovation; Institutional capacity and rule of law; Environmental sustainability |

**II. Objective and Justification**

2.1 The objective of the proposed Technical Cooperation (TC) is to support government counterparts and relevant entities in The Bahamas to strengthen the energy sector institutional and regulatory framework in the context of the sustainable energy transition. The proposed support includes technical assistances, analytical assessments, and support for knowledge exchange and dissemination events.

2.2 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. 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 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 make electricity tariffs among the highest in the Caribbean.

2.3 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. Accelerating the transition to a clean energy represents a unique opportunity for 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 with the aim to allow RE utility-scale power generation as well as self-generation. In recent years, there has been increasing interest from commercial entities to pursue RE self-generation projects selling the surplus energy to BPL. However, the current market governance and regulatory framework pose barriers to such developments in RE and private sector participation.

2.4 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 modern history of the country. Abaco and the East Grand Bahama are among the most critically affected areas. In Abaco Island, 90% of housing and infrastructure is 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.

2.5 This TC is aligned with IDB Group´s Vision 2025 priority area of Climate-change action by the design of enabling policies and regulatory instruments to leverage private-sector investment and promote climate-resilient development. It is also 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 area of Institutional Capacity and Rule of law by improving the delivery of the electricity service, facilitating strong business climates, and fostering transparency and integrity. 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.

**III. Description of Activities and Outputs**

3.1 **Component I. Institutional and regulatory strengthening (US$130,000).** Will finance a diagnosis of the current institutional and regulatory framework as a baseline, including a gap analysis, to be followed by recommendations for strengthening the institutional and regulatory set up to enable an inclusive and sustainable clean energy roadmap, as well as, inter alia, recommendations of policy and regulatory instruments to promote the energy transition in other sectors (e.g., the transport sector through e-mobility and green hydrogen).

3.2 **Component II. Knowledge exchange and dissemination of results (US$20,000).** This component will finance knowledge exchanges, consultations, and communication, as well as dissemination of results based on lessons learned during the implementation of this TC. A technical note on findings and lessons learned through the TC support will be prepared.

**IV. Budget**

**Indicative Budget**

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| **Activity/Component** | **IDB/Fund Funding** | **Counterpart Funding** | **Total Funding** |
| Component I. Institutional and regulatory strengthening | US$130,000.00 | US$0.00 | US$130,000.00 |
| Component II. Knowledge exchange and dissemination of results. | US$20,000.00 | US$0.00 | US$20,000.00 |
| **Total** | **US$150,000.00** | **US$0.00** | **US$150,000.00** |

**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 IDB Country Office in The Bahamas. The Bank will be responsible for the selection and contracting of consulting firms and individual consultants, which will be carried out in accordance with the policies for the selection of consultants (GN-2765-1) and the operational guidelines (OP-1155-4) for the contracting of consulting firms, and the human resources standards (AM-650) for the hiring of individual consultants. In compliance with the Operational Guidelines for TC Products -Revised version (GN-2629-1), this TC is classified as Client Support. 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 TCs related to institutional and regulatory strengthening of the energy sector in The Bahamas and beyond.

5.2 The Bank is the proposed executing agency because the Government of The Bahamas (GoBH) has not previous experience in this kind of activities in the energy sector. Furthermore, ENE is being executing satisfactorily two TCs in the energy sector in The Bahamas (BH-T1064 and BH-T1075) and the GoBH has agreed and supported this arrangement. For example, the IDB has been supervising 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, through the BH‑T1064 operation. Additionally, the proposed Bank’s structure has been bidding and supervising several contracts, funded by the BH-T1075, to support the execution of the BH-L1048 loan as it relates to analysis and assessments to create the 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.

**VI. Project Risks and Issues**

6.1 A potential risk associated with this TC is related to the lack of coordination among relevant stakeholders (BPL, MoF, PMDU, Ministry of Public Works, MoEH, URCA) in a timely fashion. This risk will be mitigated by undertaking inclusive consultations coupled with communication and awareness-raising activities with key stakeholders, based on best international practices on institutional development in the energy sector.

6.2 Restrictions related to the COVID-19 pandemic can have a negative impact in some activities of the TC, some of its dissemination activities. This risk will be mitigated using digital communication tools and adapting the activities to these restrictions.

**VII. Environmental and Social Classification**

7.1 The ESG classification for this operation is "C".