

PROJECT PROFILE

BAHAMAS

I. BASIC DATA

Project Name:	Trade Sector Support Programme		
Project Number:	BH-L1016		
Project Team:	Mario Umaña, Team Leader; Manuel Marquez; Sandra Corcuera; Maria Ortiz; and Yasmin Esteves (INT/TIU); Syreta Roberts and David Ochoa (CCB/CBH); Maria Teresa Soto-Aguilar (VPC/FMP); Monica Lugo (LEG/SGO); Salvador Duarte and Ernesto Fernández (INT consultants).		
Borrower:	The Commonwealth of the Bahamas (GOBH)		
Executing Agency:	The Bahamas Customs Department (BCD)		
Financial Plan:	IDB (CO):	US\$	15,000,000
	Local:	US\$	1,500,000
	Total:	US\$	16,500,000
Safeguards:	Policies triggered: OP-707, OP-102, B.01, B.02, B.03, B.07, B17		
	Classification:	C	

II. GENERAL JUSTIFICATION AND OBJECTIVES

- 2.1 The Commonwealth of the Bahamas (GOBH) is an archipelago of over 700 islands and cays, spread over 100,000 square miles of Atlantic Ocean. Twenty-two of the islands are inhabited by a total of 350,000 persons, and two islands – New Providence and Grand Bahama – account for 85 percent of the population and 88 percent of the economic activity. The country's per capita income is about US\$30,000, one of the highest levels in the hemisphere. The US\$8.6 billion economy is small in world terms but relatively large for a small developing state island. Gross Domestic Product (GDP) shrank 1.5 % in 2008 and 5.5 % in 2009 due to the global crisis, and rose again modestly in 2010 and 2011. According to International Monetary Fund (IMF) Work Economic Outlook (WEO) projections are 2% in 2011 and 2.5% in 2012. The government has been working to improve tax revenue collection, which is consistent with the objective of this operation, given the impact of the global recession on the fiscal deficit since 2008: the central government public debt has risen to \$3,790.9 as of December 2011, which is equivalent to about 48% of GDP.
- 2.2 The economy¹ is dominated by services, particularly tourism, which is the mainstay and accounts for two-thirds of economic activity. The second main activity is financial services, accounting for the other third. Major exports include

¹ According to the Economist Business Unit 2011, the value of exports from goods were 709.7 million USD while the import value of goods was 2,858.8 million USD.

polystyrene, lobster tails, rum and salt. Foreign Direct Investment² (FDI) remains high and is mostly focused on tourism development.

- 2.3 The Bahamas, which has a relatively open economy (trade/GDP ratio 129.62%), together with its neighbors in the Caribbean, negotiated and signed an Economic Partnership Agreement (EPA) with the European Union on October 15, 2008 to replace the unilateral preferences granted under the Cotonou Agreement. Apart from the EPA, the Bahamas has no other comprehensive bilateral or multilateral trade agreements, although a current negotiation between The Caribbean Community and Common Market (CARICOM) and Canada is underway. While it is a member of CARICOM, it is not a member of the trading arrangements under the CARICOM agreements. Currently, The Bahamas is in the process of negotiating its accession to the World Trade Organization (WTO). The country is also a beneficiary of the unilateral trade arrangements with the United States (CBTPA) and Canada (CARIBCAN).
- 2.4 However, these trade engagement developments may be hindered by serious institutional and operational limitations at the Bahamas Customs Department (BCD) and other trade related institutions. At BCD, some of the main problems include: (i) an obsolete Information and Communication Technology (ICT) management system to support modern customs operational processes given that the current information system, Customs Automated System (CAS), was designed in the late 80's; (ii) very limited use of risk analysis model and its system (Trade Information Management System - TIMs); (iii) outdated institutional/operational framework and business processes; (iv) a functional organization structure and human resources model and management; (v) inefficient cargo clearance and entry passenger processing; (vi) weak border control coordination and lack of an enforcement strategy; and (vii) strained relationship with the private sector. On the other hand, the institutional platform for international trade which has the exclusive responsibility for trade matters is underdeveloped and understaffed, relying on other ministries and institutions to carry out its work, making the negotiation and implementation of trade agreements, including the accession to the WTO, extremely challenging.
- 2.5 These problems typically affect any country's competitiveness performance and business climate and, if not resolved in The Bahamas, could also hinder the ability of the country to enhance its international trade performance and to attract high levels of FDI, which is the major engine for economic growth. Moreover, the current cumbersome, manual and lengthy procedures, together with a legacy IT system at BCD, produce a twofold impact: (i) allows for frequent data entry errors and provides an opportunity for improper classification/valuation and incorrect and unaccountable use of government exemptions; and (ii) negatively affects the time and cost of movement of goods across borders. All the above, together with contraband practices, due to weak control and enforcement, affect the revenue collection capacity, considering that currently BCD is the main source of revenue, collecting 50% of the total.

² According to Index Mundi, FDI in 2010 were 861.4 million USD.

- 2.6 The BCD, through the signature of a letter of intent to implement the Framework of Standards to Secure and Facilitate Trade (SAFE) of the World Customs Organization (WCO) is committed to incorporate the provision and standards necessary to bring the customs administration and operations to international good practices that will secure and facilitate trade. Moreover, the EPA contractual commitments as well as WTO accession requirements with regard to customs modernization also explain the need for reform.
- 2.7 To implement structural reforms, the GOBH has requested an investment programme that will improve the facilitation of trade while strengthening the collection of revenue and border protection by the enhancement and modernization of customs operations and the international trade institutional platform. This investment loan is key to the ongoing efforts of the Bank and the GOBH to launch the aforementioned initiatives. The programme is consistent with the 2010-2014 Country Strategy (GN-2558-1, par. 3.15) to provide support in improving and facilitating access to trade through: (i) the establishment of an electronic single window; (ii) the improvement of customs procedures; and (iii) support for the implementation of the country's trade-policy agenda. The project qualifies as supporting structural reforms within as supporting structural reforms within the meaning of the trigger of the upper lending scenario.
- 2.8 Also, the programme is framed under the new Competitive Global and Regional Integration Strategy (GN-2565) that considers trade facilitation efforts and customs strengthening as vehicles for economic growth and improved competitiveness. The customs component will add up to the 15% goal of projects with integration components set by the GCI-9.

III. SECTOR KNOWLEDGE AND PROJECT DESIGN

A. Sector Knowledge

- 3.1 During the last few years, following several diagnostics and technical assessments³ conducted by WCO, IMF, Caribbean Regional Technical Assistance Centre (CARTAC), and the IDB, a comprehensive [Customs Modernization Project Charter](#) was drafted and a customs modernization project team was created. Furthermore, the GOBH has also provided BCD with the services of two resident specialists, one international advisor on customs and one IT expert.
- 3.2 There have been some preliminary advances, such as the legislative approval of a Modern Customs Law (the regulations have not been yet approved), some improvements in reducing the manual processing of data by introducing limited automation, the implementation of the 2007 Harmonized System (HS) tariff and the use of container scanners.
- 3.3 To collaborate in the efforts by the GOBH, the Bank has also engaged with BCD

³ Report on implementation of Framework of Standards to Secure and Facilitate Global Trade SAFE, WCO in 2006; The Bahamas Revenue Administration-a Programme for Reform by IMF in October 2009; The Business Case for Implementing Trade Facilitation Measures in the Bahamas- Electronic Single Window in March 2009.

in the provision of technical assistance for capacity building through the implementation of a customs virtual course, an interregional exchange of best practices on IT systems, and the acquisition of IT equipment for training purposes.⁴ Also, and as part of the preparation for this programme, the Bank has contributed to the technical sector knowledge through a [diagnostic](#)⁵ of BCD.

B. Project Design

- 3.4 The overall objective of this programme is to improve the facilitation of trade while strengthening the collection of revenue and border protection by the enhancement and modernization of customs operations and the international trade institutional platform. This objective will be met through:
- 3.5 **Component I. Strengthening of Customs Management (US\$2,100,000).** The activities to be financed include: (i) modernization of the organizational structure, human resource management and corporate affairs by developing a new organizational structure, the creation of a customs workforce development unit, the implementation of a new human resource management model and the establishment of an executive development programme, the development of a new facility management system, the strengthening of the internal/external communication strategy, the implementation of the internal affairs function, the creation of a recourse section/unit, and the improvement of the training capacity; (ii) strengthening the monitoring and evaluation function by developing strategic planning capacity, implementing operational and management performance measurement systems, and strengthening the internal audit and the revenue reporting capacity. As a result of this component, the BCD will undergo the modernization of its institutional framework of customs and an improvement of its management capacity.
- 3.6 **Component II. Modernizing Customs Operations (US\$11,900,000).** The activities to be financed include: (i) business process reengineering: this subcomponent will carry out a business process mapping, implement a business process reengineering for all customs processes, and develop user requirements in preparation of the automated systems; (ii) customs automated management system in the framework of the BCD Strategic ICT Plan: this subcomponent will replace the current legacy IT system at BCD to manage all operations as well as exemptions, inventory, classification and the automatic input of data from both public agencies and private trade operators, deploy automated systems to streamline administrative and overhead functions; (iii) strengthen border control and security: this subcomponent will apply risk analysis by identifying main fiscal and para-fiscal risks and make use of automated systems, develop an enforcement strategy and strengthen the coordination with other border control agencies, provide technical training to customs officers in post clearance audit and incorporate it to the control strategy; and (iv) trade facilitation: this subcomponent will develop and implement an Information Document Management System

⁴ Strengthening Customs Department in the Bahamas (BH-T1011).

⁵ Modernization of the Bahamas Customs Department by IDB, in October 2011.

(DMS)⁶ based on the standards by WCO on data model, develop and implement an electronic single window, and support strategic alliances with private sector such as Trusted Traders and Authorized Economic Operator Programme. As a result of this component, BCD will have an upgrade of its operational procedures and a cutting edge automated system to balance trade facilitation and control.

- 3.7 **Component III. Enhancement of the International Trade Institutional Platform (US\$1,000,000)** The activities to be financed include: (i) the development of the institutional and technical capacity at the International Trade Unit of the Ministry of Finance and trade related agencies; (ii) technical support to increase the country's ability to manage technical barriers to trade, sanitary and phyto-sanitary measures, and implement competition policy and the protection of intellectual property rights; (iii) technical support for the WTO accession process, including the elaboration of sector analysis for goods and services to determine offensive and defensive interests. This component supports an action plan to strengthen the trade related institutions and the capacity for trade strategy formulation and policy-making, including negotiation and implementation of liberalization agreements and support to trade related institutions.

IV. SAFEGUARDS AND FIDUCIARY SCREENING

- 4.1 This programme has been classified as a Category "C" according to the Safeguard Classification tool. The activities financed will not have direct or significant impacts on the environment or on the country's natural resources.

V. OTHER ISSUES

- 5.1 An Institutional Capacity Assessment (SECI) of BCD will be conducted during the preparation of the Proposal for Operation Development (POD). Recommendations from the SECI assessment and actions included in Component I to strengthen the BCD will aim to mitigate the fiduciary risks identified in the results matrix (Appendix II). Also, the risks identified will be taken in account during the preparation of the fiduciary and procurement arrangements and the monitoring and evaluation plan during the preparation of the POD. A preliminary cost benefit analysis has been prepared in the [Business Case for Implementing Trade Facilitation Measures in the Bahamas](#). The team will validate the analysis during the preparation of the POD.

VI. RESOURCES AND TIMETABLE

- 6.1 Distribution of the POD to the Quality and Risk Review (QRR) is expected by April 2nd 2012, Operation Policy Committee (OPC) is expected by May 16th 2012, and Board approval by July 18th 2012. Approximately US\$70,000 will be used for mission travel and consultancy ([Annex V](#)).

⁶ DMS is a computer system (or set of computer programmes) used to track and store electronic documents and/or images of paper documents. It is usually also capable of keeping track of the different versions created by different users.

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SAFEGUARD POLICY FILTER REPORT

This Report provides guidance for project teams on safeguard policy triggers and should be attached as an annex to the PP (or equivalent) together with the Safeguard Screening Form, and sent to ESR.

1. Save as a Word document. 2. Enter additional information in the spaces provided, where applicable. 3. Save new changes.

PROJECT DETAILS	IDB Sector	TRADE-SUPPORT OF TRADE ACTIVITIES
	Type of Operation	Investment Loan
	Additional Operation Details	
	Investment Checklist	Generic Checklist
	Team Leader	Umana, Mario Alberto (MARIOU@iadb.org)
	Project Title	Trade Sector Support Programme
	Project Number	BH-L1016
	Safeguard Screening Assessor(s)	Esteves, Yasmin (YASMINE@iadb.org)
	Assessment Date	2012-02-13
	Additional Comments	

SAFEGUARD POLICY FILTER RESULTS	Type of Operation	Loan Operation	
	Safeguard Policy Items Identified (Yes)	Activities to be financed in the project area are located within a geographical area or sector exposed to natural hazards (Type 1 Disaster Risk Scenario).	(B.01) Disaster Risk Management Policy–OP-704
		The Bank will make available to the public the relevant Project documents.	(B.01) Access to Information Policy–OP-102
		The operation is in compliance with environmental, specific women's rights, gender, and indigenous laws and regulations of the country where the operation is being implemented (including national obligations established under ratified Multilateral Environmental Agreements).	(B.02)
		The operation (including associated facilities) is screened and classified according to their potential environmental impacts.	(B.03)

		The Bank will monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.	(B.07)
		Suitable safeguard provisions for procurement of goods and services in Bank financed projects may be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.	(B.17)
	Potential Safeguard Policy Items(?)	Does this project offer opportunities to promote gender equality or women's empowerment through its project components?	(B.01) Gender Equality Policy– OP-270
		The Borrower/Executing Agency exhibits weak institutional capacity for managing environmental and social issues.	(B.04)
	Recommended Action:	<p>Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent) and Safeguard Screening Form to ESR.</p> <p>The project triggered the Disaster Risk Management policy (OP-704).</p> <p>A Disaster Risk Assessment (DRA), is required, as established under Directive A-2 of the DRM Policy OP-704). Please contact a Natural Disaster Specialist in VPS/ESG or INE/RND for guidance.</p>	
	Additional Comments:		

ASSESSOR DETAILS	Name of person who completed screening:	Esteves, Yasmin (YASMINE@iadb.org)
	Title:	
	Date:	2012-02-13

SAFEGUARD SCREENING FORM

This Report provides a summary of the project classification process and is consistent with Safeguard Screening Form requirements. The printed Report should be attached as an annex to the PP (or equivalent) and sent to ESR.

1. Save as a Word document. 2. Enter additional information in the spaces provided, where applicable. 3. Save new changes.

PROJECT DETAILS	IDB Sector	TRADE-SUPPORT OF TRADE ACTIVITIES
	Type of Operation	Investment Loan
	Additional Operation Details	
	Country	BAHAMAS
	Project Status	
	Investment Checklist	Generic Checklist
	Team Leader	Umana, Mario Alberto (MARIOU@iadb.org)
	Project Title	Trade Sector Support Programme
	Project Number	BH-L1016
	Safeguard Screening Assessor(s)	Esteves, Yasmin (YASMINE@iadb.org)
	Assessment Date	2012-02-13
	Additional Comments	

	Project Category: C	Override Rating:	Override Justification:
			Comments:
PROJECT CLASSIFICATION SUMMARY	Conditions/ Recommendations	<ul style="list-style-type: none"> No environmental assessment studies or consultations are required for Category "C" operations. Some Category "C" operations may require specific safeguard or monitoring requirements (Policy Directive B.3). Where relevant, these operations will establish safeguard, or monitoring requirements to address environmental and other risks (social, disaster, cultural, health and safety etc.). The Project Team must send the PP (or equivalent) containing the Environmental and Social Strategy (the requirements for an ESS are described in the Environment Policy Guideline: Directive B.3) as well as the Safeguard Policy Filter and Safeguard Screening Form Reports. 	

SUMMARY OF IMPACTS/RISKS AND POTENTIAL SOLUTIONS	Identified Impacts/Risks	Potential Solutions

DISASTER SUMMARY	Details	Actions
	<p>The Project should include the necessary measures to reduce disaster risk to acceptable levels as determined by the Bank on the basis of generally accepted standards and practices. Alternative prevention and mitigation measures that decrease vulnerability must be analyzed and included in project design and implementation as applicable. These measures should include safety and contingency planning to protect human health and economic assets. Expert opinion and adherence to international standards should be sought, where reasonably necessary.</p>	<p>A Disaster Risk Assessment (DRA), is required, as established under Directive A-2 of the DRM Policy OP-704). Please contact a Natural Disaster Specialist in VPS/ESG or INE/RND for guidance.</p>

ASSESSOR DETAILS	Name of person who completed screening:	Esteves, Yasmin (YASMINE@iadb.org)
	Title:	
	Date:	2012-02-13

ENVIRONMENTAL AND SOCIAL STRATEGY

- 1.1 The “Safeguards Policy Filter Report and Screening Form,” were fulfilled by the project team on February 13, 2012. The project has been classified as category “C”.
- 1.2 The project will finance activities to strengthen the technical and management capacity of the Bahamas Customs Department and the Bahamas Trade Unit, as well as the acquisition of IT systems. Therefore, there are no associated environmental or social risks.
- 1.3 Although this loan operation does not require to prepare an Environmental and Social Strategy for the Programme, it is important to highlight that the project will follow all the Environmental and Safeguards Policies included in the document GN-2208-18. In doing this, the operation supports the environmental sustainability in the region.
- 1.4 The improvement of the business climate in the Bahamas through the improvement of systems and operational and management capacity in the Bahamas Customs Department and in the International Trade Platform will increase competitiveness, generate more opportunities for trade, and therefore revenue collection. All of these are considered to be positive factors for the social and economical development and opportunities.
- 1.5 Additionally, the operating regulations manual for this project will include criteria to promote that the goods and services procured and all the activities financed by the project will contemplate the environmental and social sustainability in the use of resources, in the development of the labour markets and the community relationships.
- 1.6 Furthermore, the acquisitions carried out during the execution of the project, will promote the principles of economy, efficiency and environmental responsibility.

BACKGROUND ECONOMIC AND SECTOR STUDIES

Studies	Description	Date (Expected)	Reference or links
Project Design	The Modernization of the Bahamas Customs Department (IDB)	2011	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36501579
	World Customs Organization Report on the Implementation of the SAFE Program [Framework of Standards to Secure and Facilitate Global Trade]	2006	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36682914
	Report of the International Monetary Fund, Fiscal Affairs Department –The Bahamas Revenue Administration– A Program for Reform	2009	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36683086
	Report on “The Business Case for Implementing Trade Facilitation Measures in the Bahamas – Electronic Single Window” by Information to Knowledge Inc. (I2K Inc)	2009	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36683582
	Bahamas Customs Modernization Project Charter (Bahamas Customs Department)	2011	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36682168
	IDB_Bahamas Customs_Presentation	2012	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36683657
	SAFE Framework of Standards to Secure and Facilitate Trade	2005	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36683075
	Trade and Integration Sector Policy Note for The Bahamas	2008	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36683527
Implementation Mechanism and Fiduciary Aspects	N/A	N/A	N/A
Risk Analysis	Risk Analysis Matrix prepared by Project Team	February 2012	http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=36682806

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