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MULTILATERAL INVESTMENT FUND

THE BAHAMAS

SPARKING INNOVATION AND ENTREPRENEURSHIP FOR GRAND BAHAMA

(BH-T1092)

DONORS MEMORANDUM

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CONTENTS

I.	THE PROBLEM	2
A.	Problem Description	2
II.	THE INNOVATION PROPOSAL	3
A.	Project Description.....	3
B.	Project Results, Measurement, Monitoring and Evaluation	8
III.	ALIGNMENT WITH IDB GROUP, SCALABILITY, AND RISKS	8
A.	Alignment with IDB Group	9
B.	Scalability.....	10
C.	Project and Institutional Risks.....	10
IV.	INSTRUMENT AND BUDGET PROPOSAL	11
V.	EXECUTING AGENCY (EA) AND IMPLEMENTATION STRUCTURE	11
A.	Executing Agency(s) Description	11
B.	Implementation Structure and Mechanism	12
VI.	COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS	12
VII.	INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY.....	13

PROJECT SUMMARY

BAHAMAS

SPARKING INNOVATION AND ENTREPRENEURSHIP FOR GRAND BAHAMA

(BH-T1092)

The Bahamas has experienced two major economic shocks over the last three years, Hurricane Dorian in 2019 and the COVID-19 pandemic. Hurricane Dorian caused losses and damages of about \$3.4 billion (27% of GDP), resulting in considerable pressure on public finances and reserves as well as business operations and livelihoods. The situation is now further compounded by the COVID-19 pandemic which has caused many businesses to lay off workers, temporarily or permanently. The Bahamas is now at a critical state where the public health consequences of COVID-19 must be balanced with saving jobs and livelihoods given the economic impact of the crisis.

The Bahamas' economy and its high unemployment rate presents a particularly difficult labor market experience for job seekers. There is also insufficient innovative activity among Bahamian firms. The main reasons for this are a lack of digital talent, scientific and technological knowledge/research and access to programs for training and limited connections between the education ecosystem in the country and private sector partners to promote more productive and digitally-advanced jobs and livelihoods.

There is an acute need to recover from this unprecedented crisis, and utilize digital technologies to help spur productivity, competitiveness, and innovation to create jobs, spur entrepreneurship, diversify the economy, and promote economic resilience.

This project aims to solve this problem by supporting the development of human capital (talent) and entrepreneurship through the creation of a Centre of Entrepreneurship and Innovation (The Centre). This centre aims to respond to the above-mentioned challenges using disruptive technologies and seeks to develop and incubate entrepreneurs in the digital technology space. The centre will mainly focus on developing digital knowledge through training and certificate programs to provide the technological skills needed to increase innovation and competitiveness among SMEs in The Bahamas.

To strengthen the impact of the Centre, the project will aim to identify, connect with and support entrepreneurs and tech startups to help drive local and regional economic growth through new businesses and job creation. The project will benefit students, recent graduates and local entrepreneurs. The main beneficiaries of the project are 500 students and graduates of the entrepreneurship bootcamp program of which at least 50% are women. The project will be executed by the University of the Bahamas, north campus. As the project evolves it will seek to address the needs not merely of Grand Bahama but the entire country, as it will be the only Centre of Entrepreneurship and Innovation in the country. Linkages will be pursued with other regional incubators and innovation centers as well with the network of higher education entrepreneurship centers throughout the Caribbean and the Americas. The aim is for the centre to provide a model for similar centres in other parts of the country and region.

ANNEXES

ANNEX I	Results Matrix
ANNEX II	Budget Summary
ANNEX III	iDELTA

APPENDICES

Draft Resolution

AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF MIF PROJECT INFORMATION SYSTEM

ANNEX IV	Diagnosis of Integrity and Institutional Capacity (DICI) [includes Integrity Due Diligence Analysis]
ANNEX V	Reporting Requirements and Compliance with Milestones and Fiduciary Arrangements
ANNEX VI	Procurement and Contracting Plan

ACRONYMS AND ABBREVIATIONS

CBH	Country Office in The Bahamas
CCB	Caribbean Countries Department
DICI	Assessment of Integrity and Institutional Capacity
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
IDB Lab	Formerly Multilateral Investment Fund
IDBG	Inter-American Development Bank Group
IFD/CMF	Capital Markets and Financial Institutions Division
IMF	International Monetary Fund
IT	Information Technology
LAC	Latin America and the Caribbean
LMK	Labor Markets and Social Security Division
MIF	Multilateral Investment Fund
PSR	Project Status Report
SBDC	Small Business Development Centre
SDG	Sustainable Development Goal
SMEs	Small and Medium Enterprises
STEM	Science Technology Engineering Mathematics
UB	The University of the Bahamas

PROJECT INFORMATION

SPARKING INNOVATION AND ENTREPRENEURSHIP FOR GRAND BAHAMA (BH-T1092)

Country and Geographic Location:	The Bahamas		
Executing Agency:	The University of the Bahamas		
Focus Area:	Knowledge Economy		
Coordination with Other Donors/Bank Operations:	The project is aligned with BH-T1071 Accelerate Bahamas and has synergies with BH-L1045 Government Digital Transformation to Strengthen Competitiveness, BH-L1047 Credit Enhancement Facility, to provide greater access to finance to SMEs and BH-L1050, Boosting Resilient and Inclusive Growth in The Bahamas to improve the business climate and support MSMEs continuity, and with BH-L1092 Boosting Resilient and Inclusive Growth in the Bahamas II. It will also coordinate its activities with IDB Lab's regional Tech Beach (RG-T2926) project.		
Project Beneficiaries:	600 entrepreneurs completing the incubation program of which 50% are women. 2,500 persons reached in the marketing campaign. 500 graduates of the entrepreneurship bootcamp program with at least 50% women and outreach to include the most disadvantaged groups. 1,000 matriculating students and graduates of newly created certification programs, at least 5 partnerships created for local or international firms/high growth startups.		
Financing:	Technical Cooperation:	US\$ 500,000	
	Equity:	-	
	Loan:	-	
	Other (explain):	-	
	TOTAL MIF FUNDING:	US\$ 500,000	50%
	Counterpart:	US\$ 500,000	50%
	Co-financing:	-	
	TOTAL PROJECT BUDGET:	US\$ 1,000,000	100%
Execution and Disbursement Period:	36 months of execution and 42 months of disbursement.		
Special Contractual Conditions:	Conditions prior to first disbursement will be, to the Bank's satisfaction: (i) Selection of the Project Coordinator, and; (ii) Creation of the steering committee		
Environmental and Social Impact Review	This operation was screened and classified as required by the IDB's safeguard policy (OP-703) on July 1, 2020. Given the limited moderate impacts and risks, the project was categorized as C on October 6 2021.		
Unit responsible for disbursements	CCB/CBH		

I. The Problem

A. Problem Description

- 1.1. The COVID-19 pandemic has severely impacted the tourism-dependent economy of The Bahamas and has highlighted the need for increased levels of competitiveness, innovation, and productivity, which can aid in the reactivation of the economy, diversification, and job creation. Unemployment soared in 2020 because of the halt of economic activity. As of September 2020, 39,000 persons had applied for unemployment benefits. According to the IMF, the economy shrank by over USD 2 billion in 2020. In addition, in 2019 Hurricane Dorian, reversed the country's economic progress and caused USD 3.4 billion in damages and losses, equivalent to one quarter of the country's GDP. Most of these damages and losses affected the private sector and have still not been entirely addressed.¹
- 1.2. The COVID-19 pandemic has revealed the severity and complexity of the country's economic weaknesses and problems and has created the largest negative impact in The Bahamas among IDB Caribbean member countries. The Bahamas' GDP declined by 15%, the largest single shock to the economy since 1975. As one example of the depth of the economic impact, The Bahamas is the most tourism dependent economy among IDB member countries in Latin America and the Caribbean (LAC), and one of the least diverse and most tourism dependent² economies in the world, attracting millions of visitors to its shores annually. Tourism accounts directly and indirectly for 47.5% of total Gross Domestic Product (GDP) and 55.6% of total employment³.
- 1.3. Prior to the pandemic, and even before the devastation of Hurricane Dorian, Bahamian businesses across the country faced challenges such as low levels of productivity, weak competitiveness, and lack of innovation. This has hampered growth and innovation. Only 20% of firms are large (over 100 employees), and only 7% of large firms, 16% of medium-sized firms and 13% of small firms export. Private sector firms also experience low productivity (17% lower than the Caribbean average), low flexibility, adaptive capacity, and innovativeness. Existing industries are not closely connected and face challenges in upgrading goods or moving to other industries. There is also insufficient innovative activity (only 22% of the firms innovate and innovation is more prevalent in the manufacturing sector while 56% of Bahamian firms are potentially innovative if given the right tools and access to connections and inputs).⁴
- 1.4. Among the many factors limiting innovation in The Bahamas, the key causes that this project will tackle are: (i) lack of digital talent, scientific and technological knowledge/research and access to programs for training; (ii) limited preparation and adaptability of companies and individuals to implement digital transformation processes; (iii) limited preparation, knowledge and programs available to stimulate tech entrepreneurship and new innovative ventures; (iv) there are few affordable programs for people to learn digital and entrepreneurial skills in the country, and;

¹ Impact of hurricane Dorian in The Bahamas: a view from the sky / María Alejandra Zegarra, Juan Pedro Schmid, Luis Palomino, Bruno Seminario. p. cm. — (IDB Technical Note; 1857)

² World Travel and Tourism Council reported that The Bahamas was the 9th most tourism-dependent economy in the world in 2017

³ Extreme outlier: the pandemic's unprecedented shock to tourism in Latin America and the Caribbean / Henry Mooney, María Alejandra Zegarra. p. cm. — (IDB Policy Brief; 339)

⁴ IDB Support for Economic Diversification to The Bahamas (BH-T1071)

- (v) limited connection between the education ecosystem in the country and private sector partners to promote more productive and digitally-advanced jobs and livelihoods.
- 1.5. There is a need to address these issues and utilize digital technologies to help spur productivity, competitiveness, and innovation to create jobs and stimulate entrepreneurship. Additionally, the existential economic threats and vulnerability posed to The Bahamas underscores the severe need for private sector, government, and academia to respond effectively in creating a more sustainable entrepreneurial (digital) environment and employment opportunities that help to spark economic growth, climate resiliency, productivity, competitiveness, and innovation. For firms and countries, innovation is at the core of competitiveness, increased productivity, as well as social and economic progress. The private sector, as well as the Government of The Bahamas, and academia recognizes the need to revitalize the economy, pursue economic diversification, especially with major economic sectors and explore new economic models through innovation.⁵ The project is a part of a comprehensive proposal to create an ICT Hub in Grand Bahama that also includes more long-term economy-wide objectives.
 - 1.6. Low representation of women in the technology field also contributes to the problem. Though women outnumber men at the University of The Bahamas, they are underrepresented in programmes such as Computer Information Systems and Engineering Technology. The project therefore has as a goal to attract at least 50% women participants in the tech courses. Planning strategies and specific marketing techniques will be deployed with this purpose.
 - 1.7. **Beneficiaries.** The project will benefit students, recent graduates and local entrepreneurs. The main beneficiaries are 600 entrepreneurs completing the incubation program of which 50% are women, 2,500 persons reached in the marketing campaign and, 500 graduates of the entrepreneurship bootcamp program with at least 50% women and specific outreach to include the most disadvantaged groups in vulnerable communities. In addition, 1,000 enrolled students and graduates of newly created certification programs will benefit and at least 5 partnerships will be created for local or international firms and high growth startups to host internships in specific applied R&D, technology, and innovation fields for a minimum of 100 students (at least 50% will be women). Additionally, the project will aim for at least 15 new startups to be launched by university students or graduates over the three-year duration of the project. To select the participants in the projectThe executing agency will establish a selection committee comprised of internal and external stakeholders including representatives from civil society and government.

II. The Innovation Proposal

A. Project Description

- 2.1. The main objective of the project is to improve the capacity of the Bahamian innovation ecosystem for entrepreneurship, digital transformation, and economic diversification. This will be facilitated through the creation of a Centre of Entrepreneurship and Innovation (The Centre). This centre aims to respond to the

⁵ Juan Carlos Navarro, Jose Miguel Benavente and Gustavo Crespi, The New Imperative of Innovation, IDB 2016.

above-mentioned challenges using disruptive technologies and seeks to develop and incubate entrepreneurs in the digital technology space. The Centre will enhance entrepreneurship and innovation, create, and strengthen innovative ventures, increase the pool of digital talent, and thereby contribute to the creation of more and better employment and income opportunities in The Bahamas.

- 2.2. The creation of a Centre of Entrepreneurship and Innovation on the island of Grand Bahama can act as a catalyst for economic growth and diversification, as well as contribute to the digital transformation across productive sectors of the economy. In addition, the University of The Bahamas is planning to consolidate its northern campus located in Grand Bahama as the main academic center for STEM and entrepreneurial education in the country. This initiative has the potential to increase the supply of digital talent available for the companies and high-growth startups interested in investing and entering in the Bahamian market. In addition, these skills that are lacking in The Bahamas will be in high demand increasingly given the fact that more workers are part of the platform economy and many are working remotely.
- 2.3. The project will mainly focus on developing digital knowledge through training and certificate programs to provide the technological skills needed to increase innovation and competitiveness among SMEs in The Bahamas. The project will examine the local capacity and international trends to determine which sectors /sub-sectors in The Bahamas can have a competitive advantage and will create training programs to enhance human resource capacity. This program will create a pool of digitally savvy tech-professionals for jobs and entrepreneurship in The Bahamas and ignite the startup ecosystem. The project will foster partnerships and connect with the local private sector, existing innovation centers in the region, as well as international corporations and high-growth startups to create opportunities for students, stimulate the education ecosystem in the country, and cultivate a knowledge-based economy in The Bahamas. A six-month certification program focused on pre-identified high potential areas will be created. The short-term programs will have some flexibility built-in and include *ad-hoc* needs of firms based on analysis. Since tech companies typically go where the talent is, this program will focus on developing a pool of digital talent to support the development of the Centre of Entrepreneurship and Innovation.⁶ The program will also aim to link beneficiaries with internship and job opportunities to apply their skills. The programs will initially be offered at no cost to admitted students for greater inclusivity but in the future a fee will be considered for sustainability.
- 2.4. To strengthen the impact of the Centre, the project will aim to identify, connect with and support entrepreneurs and tech startups to help drive local and regional economic growth through new businesses and job creation. Further, the project will provide strategic programming and advisory services for the implementation of an on-campus business incubator in partnership with the Small Business Development Center, the local Chamber of Commerce and the Ministry of Grand Bahama. The Centre will implement and execute entrepreneurship bootcamp programs⁷, in conjunction with the country hubs as part of the model. The bootcamp will provide a platform for the development of new teams to launch and

⁶ The Government of The Bahamas is aiming to attract tech firms to operate their businesses in Grand Bahama and has signed an MoU with Cisco Systems, Inc. to help build capacity for a Tech Hub.

⁷ Entrepreneurship bootcamps refer to agile, short, intensive and highly practical and hands-on learning programs.

grow innovative technology business ideas, while providing greater entrepreneurship capabilities. The project will use a call for proposals for innovative tech solutions to pre-identified challenges with the Centre leaders assisting with the shortlisting and development of proposals. The project will also develop programs, such as business model competitions, design thinking workshops, and an entrepreneurship speaker series, to shift the culture in the promotion and adaptation of digital technologies for businesses, households, and communities. The programs to be developed will also have a gender-lens and promote women's entrepreneurship in The Bahamas, with at least 50% women participants.

- 2.5. The ICS and INT divisions of the Bank are collaborating with IDB Lab for this initiative in The Bahamas. Whilst these divisions of the Bank will provide support to the Government of The Bahamas on areas related to attracting foreign direct investment in technology intensive sectors and promoting national investments in technology, IDB Lab's intervention will create a roadmap for activities that support the development of this Centre of Entrepreneurship and Innovation through the structure and design of the actual centre with a focus on developing digital human capital, providing inclusive access to educational and training programs for all Bahamians, forging private sector partnerships and providing support to entrepreneurs and innovators throughout the country.
- 2.6. **The Model.** The project model focuses on expanding access to technological and entrepreneurial education as well as hands on support of business development. The curricula will include courses related to business, technology introduction and implementation. The training program will be delivered in a holistic manner at the UB-North campus with in-person and virtual options. Local private firms will be engaged primarily through local business associations, such as Chambers of Commerce and the Small Business Development Centre (SBDC) that are driving digital transformation agendas for businesses in The Bahamas. These business associations will help the Executing Agency in identifying local firms that can offer graduates with job opportunities that require digital skills.
- 2.7. Given current social distancing requirements, other restrictions and risks associated with the COVID-19 pandemic, the program will be delivered virtually initially.
- 2.8. **Innovation.** The solution is both innovative and strategic in that it aligns with the University's goals and strategic plan to be a leading institution in the preparation of students to engage and thrive both nationally and internationally. This effort can serve as a pilot to provide lessons and insights as to how the broader diversification and digitalization of the economy can take place. In the context of The Bahamas, this will be the first business incubator and innovation center, this in itself represents an innovation in the entrepreneurial ecosystem. The Executing Agency will adapt their curricula to the needs of the Grand Bahama and Northern Bahamas community to ensure the growth of the entrepreneurial and innovation ecosystem. The project is considered innovative as it positions the acquisition and application of digital skills as an opportunity to help accelerate the digital transformation agenda of private sector firms in The Bahamas. It will explore how skills certification can jumpstart new opportunities for both employment and self-employment.

- 2.9. **Component I: Training program (Total USD 294,500: IDB Lab USD 209,000, Counterpart USD 85500).** The objective of this component is to strengthen the digital skills of entrepreneurs for the integration of digital technology into traditional and nontraditional businesses in The Bahamas with inputs and in collaboration with the private sector. The Executing Agency will also train entrepreneurs in fully digital businesses and focus on the expansion of those companies. In addition, considering that The Bahamas is in a high risk area for extreme climate events, the project will include training on climate risk assessment and strengthening climate resilience. In this regard the Executing Agency will provide technological expertise that will be hired by the Executing Agency. Training will take place through virtual and in person courses. Special efforts will be made to taking into account specific gender aspects and to attract women participants to the programs. Examples of courses under the various areas include: (i) Business Plan Development; (ii) Business Strategy; (iii) How to Secure Financing, and; (iv) Market Research. In addition, technology courses will be offered such as App Development, Coding and Digital Marketing.
- 2.10. The activities under this component are: (i) creation of curricula in the form of short courses, certifications and formal degree programs; (ii) training on climate risk assessment to improve climate change readiness and adaptive capacity of potential startups; (iii) development of a Startup bootcamp; (iv) implementing a training the trainers program, and; (v) implementation of digital equipment and software for training purposes
- 2.11. The expected outputs of this component are: (i) 450 entrepreneurs, participants of this program will be able to successfully integrate technology for the improvement and marketability of their business; (ii) 50% of participants will be female entrepreneurs⁸; (iii) 60% of participants will be able to properly assess the risk of doing business in the economic climate and be able to adjust their plans to combat and overcome those risk, and; (iv) 25 new courses will be developed to suit the growing needs of entrepreneurs as it relates technology integration and fully digital businesses.
- 2.12. **Component II: Incubator (Total USD 377,500: IDB Lab USD 76,250, Counterpart USD 301,250):** The objective of this component is to promote and support entrepreneurial opportunities for UB students and residents of Grand Bahama by providing access to vital inputs, connections and support to entrepreneurs. Firstly, the Executing Agency will provide training, shared office spaces and partnerships for entrepreneurs going through the business incubator program. Here, the Executing Agency will conduct constant review of the program and needs assessment to properly address the demands and concerns of the entrepreneurial ecosystem. The number of trainers and respective areas of expertise will be determined by curricula developed. The project will include delivery of training to at least 200 persons, of which 50% will be women, in 10 cohorts over a 3-year execution period. The mentor network members are volunteers and are actively engaged in digital businesses of their own or are working at senior levels in the technology field and have both technical and soft skills required for successful digital business mentoring.

⁸ The enrollment rate of women in tech based education used to be below 50%, this will be improved by the Project.

- 2.13. The activities under this component are: (i) Establishment of the Business Incubator; (ii) Office space and support services for participants available at the Business Incubator; (iii) Participants will be provided with advisors for their businesses; (iv) Participants will have the opportunity to join the mentorship program; (v) Business & technology expos will be hosted to promote local businesses and encourage new entrepreneurs, and; (vi) The Executing Agency will also host pitch competitions, providing participants with opportunities for funding.
- 2.14. The expected outputs of this component are: (i) 90% of entrepreneurs participating in the program to report a positive evaluation of the program as a result of the positive impact of business, skills developed and value gained from the network provided; (ii) 200 participants complete courses related to accessing funding for their businesses; (iii) 120 entrepreneurs participate in the mentorship program to gain support and knowledge from leaders in their industry; (iv) The business incubator will be formalized and outfitted with a full support team; (v) The centre will host one technology and business expo each year, and; (vi) At least one pitch competition will be hosted each year to provide entrepreneurs an opportunity to access funding.
- 2.15. **Component III: Partnership building and knowledge creation: (Total USD 70,500: IDB Lab USD 23,000, Counterpart USD 47,500)** This component focuses on mapping and expanding the entrepreneurship ecosystem and ensuring its sustainability through partnership and network growth by connecting with different public and private stakeholders and multinational companies institutions. It is key to the project's success that links with key ecosystem players are created to employ and nurture talent and scale innovation. Under this component, the Executing Agency will also work with local civil society, private sector organizations in the main sectors impacted by the economic shock, including Chambers of Commerce and various educational institutions. The Small Business Development Centre (SBDC), a prominent business development organization in the Bahamas, and its Access Accelerator will help identify and recruit participants for the digital skills program. The program will be promoted by the Executing Agency using both traditional and virtual channels, to attract and engage targeted participants. Outreach efforts will also maintain a focus on engagement of women to ensure that the project attains at least a 50% female participation rate. In addition there will be several opportunities to coordinate and leverage with other current IDBG operations in this component, and especially the Credit Enhancement Facility to provide partial loan guarantees to eligible financial institutions (FI) for loans given to SMEs in order to improve access to finance for entrepreneurs. The activities will be: (i) Elaborate MoUs with partner organizations in the private and public sector; (ii) Develop and disseminate knowledge products about the program and the model; (iii) Organize networking events with key partner organizations in Grand Bahama and the Bahamas; (iv) Create an annual innovation award ceremony, and; (v) Organize and implement an annual communication campaign.
- 2.16. The expected outputs of this component are: (i) Map the tech ecosystem in The Bahamas and develop relationships and strategic partnerships with fifteen (15) new tech institutions through memoranda of understanding to provide internship and other external opportunities for participants; (ii) Build relationships with twenty-four (24) strategic and funding partners via memoranda of understanding to diversify funding opportunities; (iii) Ensure that the centre continues to be

sustainable by introducing a fee structure associated with courses and tracking students willingness to pay through three (3) research studie; (iv) Formalizing of six (6) university IT and entrepreneurship programs, and; (v) Share valuable information with and educate the public on the twelve (12) current research studies happening at the centre.

B. Project Results, Measurement, Monitoring and Evaluation

- 2.17. At the outcome level, the project targets 600 entrepreneurs completing the incubation program, of which 50% will be female. 40% of participating self-employed business owners will be adopting digital solutions for resilience and growth and at least 50% of graduates re-entering employment or engaging new business opportunities. 500 graduates of the entrepreneurship bootcamp program with at least 50% women and outreach will be organized to include the more disadvantaged groups in vulnerable communities. Finally, the project will benefit at least 1,000 matriculating students and graduates of newly created certification programs.
- 2.18. The Executing Agency will track and collate data and produce reports on specific results attained as outlined in the project's results matrix and will report on project results every six months via the IDB Lab's Project Reporting System (PSR). These reports will be used to conduct timely monitoring of the project and to determine if early success indicators (e.g. completion rates) are likely to be met or if corrective action is needed at any point during implementation The University of The Bahamas will also complete a final PSR on conclusion of the project.
- 2.19. The University of The Bahamas will develop an annual Impact Report using data collected during the course of implementation. Sources of data used to generate these reports are established in the results matrix. The project will also be subject to a final evaluation financed by IDB Lab which will be conducted by an independent consultant, on conclusion of the project execution period. The objectives of this evaluation will be to: (i) assess the efficacy of the training model and curriculum in positioning and transitioning the entrepreneurs into knowledge economy-related jobs as well as in supporting new digital entrepreneurship activities; (ii) assess number of jobs secured through acquiring digital skills; (iii) provide value-added input and plan to strengthen, sustain and scale the model in the Bahamas and in the wider Caribbean region. Any additional sources of data needed to complete the evaluation will be defined ex-ante. Concurrently, knowledge generated from the evaluation will inform ways to systemize the solution for scalability.

III. Alignment with IDB Group, Scalability, and Risks

- 3.1. The project is consistent with the updated Institutional Strategy 2020-2023 (AB-3008) and is aligned with the **Bank's Vision 2025** Reinvesting in the Americas: A Decade of Opportunities, as it is aligned to the IDBG's recognition that technology is a driver for economic growth, greater productivity, innovation, and new job creation. The objectives and expected outcomes of the project are in line with the

economic transformation focus area of the CCB's **Build Forward initiative**⁹. The project also supports the cross-cutting theme of gender equality and diversity, as at least half of the beneficiaries will be women. At the country level, the project is in direct alignment with **IDB Country Strategy for The Bahamas (2018-2022)** which prioritizes fostering an enabling environment for private sector competitiveness, specifically to promote innovation and innovative practices in traditional (e.g. tourism) and non-traditional sectors. The project is aligned with the Knowledge Economy thematic focus of IDB Lab, which emphasizes the provision of digital, entrepreneurial and socioemotional skills to young people, through alternative training schemes such as entrepreneurship bootcamps, online certifications, and hands on experimentation and incubation, better suited to tackle rapid changes and transformations of the The Bahamas economy.

- 3.2. The IDB's ICS and INT divisions are collaborating with IDB Lab for this initiative in The Bahamas. Whilst these divisions of the Bank will provide support to the Government of the Bahamas on areas related to attracting foreign direct investment in technology intensive sectors and promoting national investments in technology, IDB Lab's intervention will focus on providing support to the University of The Bahamas.
- 3.3. The project will build on the work to be done in under the IDB Lab funded project "Accelerate Bahamas" BH-T1071, for SMEs, entrepreneurs, and innovators to obtain access to its support services, and connect them with funders via its fintech platform and the complementary IDB's IFD/CMF division BH-L1046 US\$25M Credit Enhancement Facility to provide partial loan guarantees to eligible financial institutions (FI) for loans given to SMEs which are unable to meet collateral requirements and who are advised and vetted by the SBDC. The project will benefit from BH-L1050, Boosting Resilient and Inclusive Growth in The Bahamas that seeks to improve the business climate and support MSMEs continuity. The project will also explore synergies with the energy loan, Advancing Renewable Energy in The Bahamas BH-L1048 which encompasses some vocational training for this field. In this regard, the project may explore opportunities to design and deliver industry specific digital skills training to support maintenance and management of micro grids. In addition the project will undertake training delivery and employment posting as envisioned in the IDB loan operation "Skills for Current and Future Jobs in The Bahamas" (BH-L1037) as these loan resources are currently being reformulated to support direct COVID-19 emergency and recovery efforts in The Bahamas. It will also connect to IDB Lab's regional Tech Beach (RG-T2926) project, by providing Caribbean entrepreneurs with greater support and linkages.
- 3.4. The project is also aligned with the following Sustainable Development Goals (SDGs): (i) SDG 5 (Achieve gender equality and empower all women) through enhancing the use of enabling technologies to promote the empowerment of women, and; (ii) SDG 8 (Decent work and economic growth) through promoting higher levels of economic productivity through diversification technological upgrading and innovation.

⁹ Build Forward is a delivery-oriented initiative aligned to the IDB's Vision 2025, which is aimed at helping Caribbean countries define Sustainable Development Pathways for their transformation in a smart and resilient manner.

A. Scalability

- 3.5. To ensure scaling of the program beyond the period of IDB Lab financing, the UB will engage local business associations and large firms that are driving digital transformation agendas as well as educational institutes from the initial stages and throughout the implementation of the project. As part of this process UB and local stakeholders will assess feasibility and develop a business model to support continuity of skills training relevant to industries/sectors undergoing digital transformation. The objective of this engagement will be to identify a business/industry association (s) that will continue to drive the digital skills agenda for business transformation (using the digital skills needs assessment methodology and tool as developed under Component 1), and will sustain and scale up delivery of digital skills training programs beyond the project timeline in partnership with regional, international and local training institutes as needed. As the project consolidates it will seek to address the needs not merely of Grand Bahama but the entire country, as it will be the only Centre of Entrepreneurship and Innovation in the country. Linkages will be pursued with other regional incubators and innovation centers as well with the network of higher education entrepreneurship centers throughout the Americas. The aim is for the centre to provide a model for similar centres in other parts of the country and region.

C. Project and Institutional Risks

- 3.6. The key technical risks and corresponding mitigation strategies identified for the project are as follows:
- 3.7. **Disruption due to extreme weather events:** The Bahamas is vulnerable to hurricanes and such events or severe storms can impact power and access to training in the short term, as well as further depress business operations and job opportunities in the short and medium terms as was the case with Hurricane Dorian, depending on severity. This will be partially mitigated for the direct beneficiaries and the project with the training on climate risk.
- 3.8. **Access to training portal due to unreliable power and internet connectivity:** Areas of The Bahamas suffer from intermittent power outages which limit access to the project's virtual training portal. As a mitigation strategy, the UB will secure partnerships with local training centers with more stable connectivity which trainees that reside in areas without a stable power and internet connection can access to participate in online classes if needed.
- 3.9. **Uncertainty of the resumption and pivot of business activity post COVID-19:** The current pandemic has cast significant uncertainty on how and when businesses will be able to return to profitable operations and what type of new businesses will thrive which could impact the project's targets for employment and entrepreneurship. The key mitigation factor is that digital skills are transversal and can be applied in a broad range of industries and may also support online platform economy opportunities/creative entrepreneurship, and freelancing, independent of conditions in The Bahamas.
- 3.10. The Assessment of Integrity and Institutional Capacity (DICI) conducted for this project rated institutional risk as low.

IV. Instrument and Budget Proposal

- 4.1 The total project budget is of USD 1,000,000, of which USD 500,000 (50%) will be provided as a non-reimbursable technical cooperation by the IDB Lab, and USD 500,000 (50%) in counterpart financing. The counterpart financing includes in kind resources from the management and staff of the UB in co-ordination, quality assurance and fiduciary support.

	IDB Lab (USD)	Counterpart cash (USD)	Counterpart in kind (USD)	Total (USD)
Project Components				
Component 1: Training program	209,000	40,000	45,500	294,500
Component 2: Incubator	76,250	125,150	176,100	377,500
Component 3: Partnership building	23,000	20,500	27,000	70,500
Project Administration	151,200	48,750		199,950
Final Evaluation and audits	6,000	17,000		23,000
Contingencies	34,550	-		34,550
Grand Total	500,000	251,400	248,600	1,000,000
% of Financing	50%	25%	25%	100%

V. Executing Agency (EA) and Implementation Structure

A. Executing Agency Description

- 5.1. The project will be executed by the University of The Bahamas, North (Grand Bahama campus). The University of The Bahamas is a national public institution of higher education established in 1974 with campuses throughout the archipelago with more than 6,000 students and 12,000 alumni. It has the professional staff and experience to become an incubator for entrepreneurship and innovation, while bolstering the industrial and maritime industries on the island and the archipelago. Post Dorian, a new campus site has been identified in downtown Freeport. This move will make the institution more accessible and will bring new energy to the city centre.
- 5.2. The UB has existing relationships with local businesses and business association and organizations and several multinational companies based in The Bahamas and with universities across the globe. A few of these networks include, Equinor (research partnerships), Deloitte (donor and student internship relationship), Emera (donor and student internship relationship) and Generali Insurance (donor relationship). The UB intends to strengthen their reach and expansion through existing partnerships and developing additional partnerships through the creation of their business incubator, digital skills training programs, and other initiatives accompanying the digital innovation center. Their priorities for the execution of this project aligns with their vision and strategic plan, which will ensure sustainability and scalability for these initiatives beyond IDB Lab's financing.

B. Implementation Structure and Mechanism

- 5.3. The University will establish an project coordinating unit under the principal's office and the necessary structure to execute project activities and manage project resources effectively and efficiently. UB will also be responsible for providing progress reports on project implementation. UB has the experirince and the management credentials to execute the project successfully.
- 5.4. To support implementation, the UB will contract a full-time project coordinator for the project to manage delivery of training and mentorship in the Bahamas and a part time project financial officer will be assigned to the project and financed by the UB to support monitoring of results, technical reporting and fiduciary management. The training program coordinator, in collaboration with the Principal of the UB, will be responsible for the organization, roll out and management of key activities as well as local partnership/stakeholder management and program quality assurance. A part time consultant will also be retained to manage business engagement and outreach at the local level. Additionally, UB will provide technical oversight and quality assurance.
- 5.5. The UB will create a Project Steering Committee to govern the project implementation, manage risks and address challenges. The steering committee will comprise executives of key business associations in the Bahamas, including but not limited to the Small Business Development Centre and The Bahamas Chamber of Industry and Commerce. The IDB Lab team leader or country specialist may attend meetings upon invitation to provide input and advice on changes that may be necessary to strengthen impact and achievement of project results, as well as to foster connections with IDB Lab's technical partners in the region to support knowledge sharing and regional scaling. The project steering committee will meet at least quarterly in the first year of the project, and at least semiannually in subsequent years, as well as at the end of each training cohort, to evaluate the program and provide strategic advice to improve content, delivery and as well as employment and business opportunities for future cohorts.

VI. Compliance with Milestones and Special Fiduciary Arrangements

- 6.1 **Disbursement by Results, Fiduciary Arrangements.** The Executing Agency will adhere to the standard MIF disbursement by results, IDB procurement policy¹⁰ and financial management¹¹ arrangements as specified in Annex V and VI.
- 6.2 **Results-based disbursement.** The Project will be monitored by the Country Office of The Bahamas. Monitoring will be undertaken in accordance with the performance and risk management policies (fulfilment of milestones) established by the IDB Lab. Project disbursements will be contingent upon verification of the achievement of milestones (pre-determined outputs critical to achievement of the development objectives). Achievement of milestones does not exempt the Executing Agency from the responsibility of reaching the results matrix indicators and project's objectives.

¹⁰ Link to the Policy: [Procurement of Works and Goods Policy](#)

¹¹ Link to the document [Operational Guidelines for Management of Milestones and Financial Supervision for MIF and SEP Technical Cooperation Projects](#)

- 6.3 **Financial Management and Supervision.** The UB will establish and be responsible for maintaining adequate accounts of its finances, internal controls, and project files according to the financial management policy of the IDB Lab. For the procurement of other goods and contracting of consulting services, the Executing Agency will adopt the principles of IDB Policies (GN-2349-9 and GN-2350-9), however, the Executing Agency, which is a private entity, will use their own procurement policy for the execution of the project.

VII. Information Disclosure and Intellectual Property

- 7.1 **Information Disclosure.** This document contains confidential information related to one or more of the ten exceptions to Access to Information Policy and will be initially treated as confidential and made available only to Bank employees. This document will be disclosed and made available to the public upon approval.
- 7.2 **Intellectual Property.** The Executing Agency shall own the intellectual property rights to all works produced or results obtained under the Project and will grant the IDB Group an irrevocable, worldwide, perpetual, royalty-free, and non-exclusive license to use, copy, distribute, reproduce, publicly display and perform any and all Executing Agency intellectual property derived from execution of the Project, as well as to create derivative works.