

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	BAHAMAS/CCB - Caribbean Group
▪ TC Name:	Support for the Mobilization of Private Investment in Resilient Infrastructure
▪ TC Number:	BH-T1087
▪ Team Leader/Members:	Augusto Bonzi (INE/ENE), Team Leader; María Eugenia Roca (CCB/CBH), Alternate Team Leader; Daniel Fonseca (IFD/CMF); Marcelo Consolo; and Mauro Alem (INE/TSP); Emilio Angulo; Marcelino Madrigal; Malaika Masson and Fidel Márquez (INE/ENE); Charlene Small (INO/SMC); Ignacio Barragán; and Sara Vila Saint-Etienne (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	22 March 2021
▪ Beneficiary:	The Government of The Bahamas - Ministry of Finance
▪ Executing Agency:	Inter-American Development Bank (IDB)
▪ IDB funding requested:	US\$750,000.00
▪ Local counterpart funding:	US\$0.00
▪ Disbursement period:	24 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):	Yes
▪ TC included in CPD (y/n):	Yes
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality; Productivity and innovation; Institutional capacity and rule of law; Environmental sustainability

II. Objective and Justification

- 2.1 To support The Government of The Bahamas (GOB) to maximize private capital mobilization into resilient infrastructure and productive sectors that will support economic growth through recovery and reconstruction activities post-Hurricane Dorian and post-COVID pandemic.
- 2.2 The Bahamas is facing important and complex economic times due to the successive impacts of Hurricane Dorian in 2019, and the COVID-19 pandemic in 2020. The economic and social impacts from these exogenous shocks have been unprecedented. Real GDP has contracted 14.8% in 2020, a modest rebound is expected for 2021, and will take years to converge back to its pre-pandemic level. Public debt is expected to jump to more than 80% of GDP by 2021 and to remain above its pre-pandemic level over the medium-term. This situation has created the opportunity for the country to be bold in seeking innovative solutions which will be largely predicated on the ability of its policy makers and private sector leaders to work together on transformational initiatives.
- 2.3 In 2020 the Government of The Bahamas (GOBH) has reacted and created a Public-Private Economic Recovery Committee (ERC) to deal with the country's restoration of macroeconomic balance, competitiveness, and job creation. The ERC has made recommendations to: (i) stabilize the economy; (ii) reduce the economic vulnerability and effect of external shocks; (iii) manage and reduce the trade deficit; and

(iv) reduce the level of financial risk for individuals and families. The GOBH has prioritized these activities and one of these priorities is the infrastructure sector, where the GOBH decided to develop an Infrastructure and Growth Investment Platform (IGIP), which includes a Sovereign Wealth Fund (SWF), a National Infrastructure Fund (NIF) and three dedicated sector specific funds.

- 2.4 The Bahamas has large infrastructure needs, which if not met, can hinder the development of the service sector, in particular tourism, its main economic activity. However, due the exogenous shocks, there is limited fiscal space for large investments in the infrastructure sector to continue to grow the tourism activity. The Bahamas has an opportunity to use the next few years to improve its competitive edge in the tourism market vis-à-vis regional competitors and build the required sustainable infrastructure to develop tourism sector. Another economic sector that would benefit from advances in infrastructure is aquaculture and fisheries as The Bahamas can partner with global producers and operators in the food security segment.
- 2.5 To sustain an annual GDP growth rate equivalent to 3% to 4%, it is estimated that The Bahamas needs to invest 4% to 5% of GDP annually in infrastructure. These levels of investment are outside the possibilities of a fiscal responsible macroeconomic policy with budget resources. Consequently, The Bahamas needs to make a greater effort to tap into the mobilization of private capital resources from both domestic and global sources.
- 2.6 In this context, the GOBH is designing the IGIP as the legal and financial platform to attract foreign investors, with special interest in the infrastructure sector. The TC - and its two main components of the NIF and SWF – will support the GOBH design these instruments in accordance with international best practices and reflecting local conditions.

III. Description of Activities and Outputs

- 3.1 **Component I: Design of the National Infrastructure Fund (NIF).** Support the GOBH in undertaking due diligence and designing the financial and legal structure of the NIF in accordance with national legislation, including the legislative, fiscal, and regulatory aspects, criteria for investment, investment horizon and target returns for the NIF. The component will also evaluate the market potential for the creation of the sectoral funds.
- 3.2 **Component II: Design of the Sovereign Wealth Fund (SWF).** Support the GOBH design the financial and legal attributes of the SWF which is envisaged to fund the GOBH's participation in the NIF. This funding will initially be made with real estate assets and hence a Real Estate Investment Trust (REIT) may be needed to be created to monetize public sector assets.
- 3.3 **Component III: Capacity Building and Administration.** Finance knowledge transfer, capacity building and training support to the GOBH (e.g., workshops, dissemination, and outreach activities) considering these are new financial instruments to be deployed in the country. The component will also finance communication activities, and administrative support to manage the TC on tasks such as reporting, monitoring, and procurement for the effective implementation of the activities.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component I: Design of the National Infrastructure Fund (NIF)	US\$350,000.00	US\$0.00	US\$350,000.00
Component II: Design of the Sovereign Wealth Fund (SWF)	US\$325,000.00	US\$0.00	US\$325,000.00
Component III. Capacity Building and Administration	US\$75,000.00	US\$0.00	US\$75,000.00
Total	US\$750,000.00	US\$0.00	US\$750,000.00

V. Executing Agency and Execution Structure

- 5.1 The Bank will be the executing agency (EA) of this operation in accordance with Appendix 10 to the Operational Guidelines for Technical Cooperation (GN-2629-1).
- 5.2 The Bank will be the Executing Agency (EA) of this operation considering the Bank's experience in the preparation and development of the operational and technical instruments proposed for this type of operation. The IDB Bahamas Country Office (CCB/CBH) will act as Unit of Disbursement Responsibility (UDR) and will execute the TC at the request of the GOBH due to the complex inter-institutional coordination required at country level (public and private sector and the other stakeholders). This arrangement enables the Bank to access the highly specialized expertise in financial and legal structuring of infrastructure funds, real estate specialists, and sovereign wealth funds, which are critical to the achievement of intended outcomes.

VI. Project Risks and Issues

- 6.1 At this moment, there are no significant risks associated with this TC and a detailed risk analysis will be developed during the elaboration of the TC document.

VII. Environmental and Social Classification

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