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**Ministry of Finance**  
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West Bay Street  
P.O. Box N-3017  
Nassau, Bahamas

9th, September 2021

Mrs. Daniela Carrera-Marquis  
Country Representative  
Inter-American Development Bank  
Nassau, The Bahamas.

Dear Mrs. Carrera-Marquis:

**RE: POLICY BASED GUARANTEE (PBG) BH-U0001 “BUILDING A SOCIAL AND INCLUSIVE BLUE ECONOMY IN THE BAHAMAS”**

Dear Mrs. Carrera-Marquis:

On behalf of the Government of the Commonwealth of The Bahamas (“the Government”), I wish to inform you of our commitment to the development of a comprehensive, socially inclusive and vibrant Blue Economy in The Bahamas.

In support of this commitment, the Government has complemented short-term support for Micro, Small & Medium Enterprises (MSMEs) during the COVID-19 pandemic, with additional measures to support long-term growth in areas related to the Blue Economy. More specifically, the *2021 Accelerated Bahamas Plan* focuses on recovery through support of MSMEs, tourism development and digitalization & innovation, in line with the proposed actions of this program.

Explicit actions to improve economic and environmental resilience under a strengthened institutional framework have become an urgent priority for the Government in light of the combined effects of the COVID-19 pandemic and recent natural disasters; as evidenced by the Economic Recovery Committee (ERC) report.<sup>1</sup>

In this regard, the Government is prioritizing reforms geared at streamlining procedures in areas such as fisheries and port operations through the introduction of digital solutions, and facilitating economic transactions for the Family Islands, as well as reforms to promote a stronger framework for coastal resiliency, better management of marine resources and for reducing ocean pollution.

In view of the above, and with the goal of promoting a more productive and healthier ocean in The Bahamas, the Government is pursuing a set of legal, institutional and regulatory reforms that

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<sup>1</sup> [OPM Reports](#).

complement and give continuity to the reforms carried out in the BH-1050/1052 series. Thus, this program, structured as a guarantee, will focus on the following: (i) Promoting MSME's business recovery in the Blue Economy and prospecting investment projects suitable for blue bond financing; (ii) Reducing costs to conduct business in the Blue Economy; (iii) Improving the Blue Economy's resiliency to climate risks in coastal and offshore areas; (iv) Promoting better management (certification, traceability, and protection) of marine resources; and (v) Reducing marine pollution. In this regard, the main actions taken correspond to:

- A. **Measures to improve the business climate in the Blue Economy:** As the contribution to the Blue Economy in The Bahamas accounts for a large portion of GDP, the Government has taken actions to improve the business climate for MSMEs operating in the Blue Economy, including programs to assist small businesses through mentorship, training, and access to funding through the Small Business Development Center. As part of the identification of a pipeline of projects suitable for financing in the Blue Economy, an assessment was made to identify projects in the Blue Economy under the following criteria: (i) alignment with the five "tipping" points recommended for the emission of a Blue Bond; (ii) innovation and replicability potential; (iv) contribution to the objectives of the PBG regarding a healthier and more productive ocean and (iv) impact on economic recovery. This initial list indicates potential for intervention in the areas of Marine Protected Areas, Reconstruction after Hurricane Dorian for coastal economies and (iii) innovative projects with replicability potential.

To reduce the cost of doing business in the Blue Economy, the Government is taking measures to reduce financial services delivery costs and boost transactional efficiency, especially for those underserved communities (e.g., the Family Islands). The aim is to enhance the digital payment system, including developing a regulatory framework for digital payments that covers safeguards to ensure data privacy, security and consumer protection.

Furthermore, a new digital system has been implemented for the issuance of fishing permits, that allows vessel captains to electronically declare entry at a Bahamian port-of-entry and pay for cruising and fishing permits electronically. In addition, customers are now able to complete applications and register private and commercial boats electronically.

- B. **Reducing climate Risk in Coastal and Offshore Areas:** The current building code in The Bahamas is being upgraded to include coastal climate hazards, such as storms, coastal floods, strong winds and sea-level rise, as well as to include nature-based solutions. In this regard, a comprehensive assessment and comparative analysis and inclusion of best practices is being carried out. The Ministry of Public Works is strengthening its capacity for coastal protection by creating the Coastal Protection Unit with responsibility for implementing coastal protection and management policies. Also, The Bahamas is currently carrying out a Disaster Risk Management governance assessment using iGOPP, a governance indicator that identifies key governance gaps in terms of regulation, institutions and budget and a mechanism to track budget allocations for investments aimed at strengthening resilience to natural disasters and climate change.

- C. **Promoting better management (certification, traceability, and protection) of Marine Resources:** Key aspects of the implementation of the Fisheries Act are underway, including the launching of a pilot for vessel monitoring and the drafting of the fishing resources regulations that include the prohibition of harmful substances, measures for protection of marine species and regulation of commercial fishing. In 2018, the Marine Protection Plan, proposed 43 new Marine Protected Areas (MPAs), covering around 3.28 hectares, which were submitted to Cabinet in 2019. Additional consultations took place during 2020, and 42 MPAs have been approved and gazetted, thus protecting close to 20% of the Bahamian marine space.

The Department of Marine Resources, jointly with The Bahamas Exporters Association, is updating the Spiny Lobster Management Plan, including improving the monitoring capacity and the reduction of Illegal, Unreported and Unregulated (IUU) fishing, for the audit of the Marine Stewardship Certification<sup>2</sup>. This certification was published in 2020 and is revised each year, based on the achievement of agreed milestones. In addition, a pilot for community-based conch management is currently being developed as part of the national campaign for conservation of conch, and business plans for increasing and diversifying sources of income for conch fishers are currently being developed. In addition, the Royal Bahamas Defense Force approved the Maritime Security Plan that improves the enforcement of IUU, and has started its implementation, including increased patrolling and detection, and tracking capabilities using new technology and strategic partnerships<sup>3</sup>.

- D. **Protecting Oceans by Reducing Marine Pollution:** The Bahamas, as part of the implementation of the new institutional framework for managing the environment<sup>4</sup>, and as part of the country wide reconstruction efforts post Dorian, is pursuing key strategic actions to promote cleaner oceans. The Disaster Reconstruction Authority is spearheading the Governments restoration efforts after Hurricane Dorian, in conjunction with NGOs, private sector, civil society, local communities, local governments and international organizations. As part of this effort, 3 million cubic yards of debris have been removed in Abaco and Grand Bahama and four temporary marine debris stations have been established. The process of marine cleanup is ongoing. On the other hand, the recently approved Environmental Planning and Protection Act, 2019, includes provision for the management of pollutants, including pollutants in oceans. In this regard, the Department of Environmental Planning and Protection is currently drafting regulations for the reduction of waste and pollution into the ocean from cruise ships.

The Inter-American Development Bank has been supporting the Government with the design and implementation of these initiatives, through technical dialogue and assistance and the support of international expertise in key areas and will continue to provide technical assistance for informed decision making through the series of operations. The Government of The Bahamas and the Inter-

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<sup>2</sup> <https://fisheries.msc.org/en/fisheries/the-bahamas-spiny-lobster-fishery/>

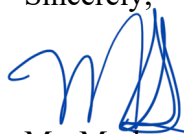
<sup>3</sup> [Maritime Security Plan 2021](#). Operational successes of RBDF in 2020: Deterring illegal fishing vessels from poaching in the Bahamas evidenced by 5 interception and prevention of IUUs, 107 patrols and 939 days at sea with 57 vessel boardings.

<sup>4</sup> With the creation in 2020 of the Ministry of the Environment and the Department of Environmental Planning and Protection and its related legal framework as included in the BH-L1050/1052 series.

American Development Bank's technical team have cooperated closely through the process of designing regulatory reforms and public policy instruments, consistent with the purposes of this operation.

In this context, the Government has requested the Inter-American Development Bank's support for an operation under the Policy Based Guarantee to reinforce the proposed set of reforms in the medium term. This guarantee would subsequently support a bond emission to be carried out by the Ministry of Finance. In this regard, the Government of The Bahamas reiterates its commitment to implement the agreed reforms in the program, and thus contribute to the program's objectives of BH-U0001 Building a Social and Inclusive Blue Economy.

Sincerely,



Mr. Marlon Johnson,  
Financial Secretary (Actg.)  
Ministry of Finance  
The Commonwealth of the Bahamas