

Loan Contract No. 3787/OC-BH  
Amendment No. 1

### **AMENDATORY CONTRACT**

AMENDATORY CONTRACT entered into between THE COMMONWEALTH OF THE BAHAMAS (hereinafter referred to as the “Borrower”) and the INTER-AMERICAN DEVELOPMENT BANK (hereinafter referred to as the “Bank”, and together with the Borrower, as the “Parties”).

#### **CONSIDERING THAT**

The Parties entered into Loan Contract No. 3787/OC-BH on July 26, 2018 (hereinafter referred to as the “Loan Contract”) to cooperate in the execution of the program called “Skills for Current and Future Jobs in the Bahamas” (hereinafter referred to as the “Program”).

The Borrower requested the Bank to use an amount of up to nineteen million five hundred thirteen thousand four hundred sixty-four Dollars (US\$19,513,464) of the undisbursed balance of the Loan Contract and to eliminate the counterpart financing of the equivalent of thirty million Dollars (US\$30,000,000) of the Loan Contract to assist The Bahamas with its response to the impact of the crisis resulting from the COVID-19 pandemic and to support businesses in maintaining formal employment levels through the provision of wage subsidies.

The Board of Executive Directors of the Bank approved on August 6, 2020 by Resolution DE-98/20 a Reformulation Proposal to the Program for the financing of “Support to Vulnerable Populations through the Tax Credit and Tax Deferral Employment Retention Program in Industries Affected by the Coronavirus” (hereinafter referred to as the “Support to Vulnerable Populations Program”).

**NOW,**

The Parties hereby agree to amend the Loan Contract in the manner and to the extent set forth below.

#### **ARTICLE ONE**

1. The Parties agree to reorient undisbursed resources of the Loan Contract in the amount of up to nineteen million five hundred thirteen thousand four hundred sixty-four Dollars

(US\$19,513,464) (hereinafter referred to as the "Reoriented Resources") to be used for the Support to Vulnerable Populations Program, as described in the Annex of this Amendatory Contract which will replace the Annex of the Loan Contract in its entirety.

2. The Parties agree to eliminate the Additional Resources of the Loan Contract, estimated to have been the equivalent of thirty million Dollars (US\$30,000,000).
3. The Parties agree that the execution of the Support to Vulnerable Populations Program will be governed in accordance with the provisions of this Amendatory Contract. The special requirements for the utilization of the Reoriented Resources are included in this Amendatory Contract and, therefore, any special requirement included in the Loan Contract for the Program will not be applicable for the financing of the Support to Vulnerable Populations Program.
4. The implementation period of activities of the Support to Vulnerable Populations Program is expected to be twelve (12) months.
5. The Parties agree that the Executing Agency of the Support to Vulnerable Populations Program will be the Ministry of Finance (MOF).
6. The Parties agree that the Reoriented Resources may only be used to pay expenses that: (i) are necessary for the Support to Vulnerable Populations Program and are in accordance with its objectives; (ii) are carried out in accordance with the provisions of this Amendatory Contract and Bank policies; (iii) are adequately recorded and documented in the Borrower's or Executing Agency's system; and (iv) are incurred after August 6, 2020 and before the expiration of the disbursement period of the Loan Contract; such expenses are hereinafter referred to as "Eligible Expenditures."
7. Notwithstanding the provisions of paragraph 6 above, expenditures that meet the requirements of subsections (i) and (iii) consisting of the subsidies to formal sector enterprises as described in the Annex of this Amendatory Contract, up to the equivalent of thirteen million three hundred thousand Dollars (US\$13,300,000), may be recognized by the Bank as Eligible Expenditures, provided that they have been incurred after March 30, 2020 and following requirements substantially similar to those established in this Amendatory Contract.
8. The Bank may carry out the disbursement of the Reoriented Resources using any of the methods provided in the Loan Contract.
9. The Parties agree that, notwithstanding the requirements of the Loan Contract in regards to the disbursement of resources, the Executing Agency will: (i) open a separate account for the disbursements of the Reoriented Resources; and (ii) will follow a separate financial plan, accounting and justification of expenses for the Reoriented Resources.
10. The Parties agree on the following in relation to procurement activities for the Support to Vulnerable Populations Program:

- (a) The Procurement and Consultant Policies applicable to the Reoriented Resources shall be the following: (i) the Procurement Policies dated May 2019, which are contained in document GN-2349-15, approved by the Bank on July 2, 2019; and (ii) the Consultant Policies are those dated May 2019, which are contained in document GN-2350-15, approved by the Bank on July 2, 2019. If the Procurement and/or Consultant Policies are amended by the Bank, they shall be applicable to the Reoriented Resources once they are made known to the Borrower and the Borrower agrees in writing to their application.
  - (b) The application of the following Bank special procurement measures for the preparation and response to COVID-19, as they may be applicable to the Support to Vulnerable Populations Program: (i) the procurement of works, non-consulting services, and goods, and the selection and contracting of consulting services financed with the Reoriented Resources, will be subject, as appropriate, in addition to the provisions established in the Loan Contract and this Amendatory Contract, to the following temporary measures: (1) goods whose origin is from non-Bank member countries may be eligible for procurement; and suppliers, contractors, consultants or service providers from non-Bank member countries will be able to participate in the selection procedures; (2) the procurement policies of the Procurement Agents and specialized agencies can be used when they are hired as such by the Borrower or, as the case may be, by the Executing Agency; and (3) consolidated contracting on an international level, as well as procurement by adhering to existing contracts of the Borrower, may be used as procurement methods in addition to those described in the Procurement Policies and the Consultant Policies.
  - (c) The measures described in item (b) of this paragraph 10 will remain in effect until April 7th, 2021. After such date they will cease to be in effect for all purposes established in this Amendatory Contract.
11. The Parties agree that the instruments identified in Section 5.01 of the Special Conditions of the Loan Contract "Supervision of Program Execution" will be presented by the Executing Agency for the Support to Vulnerable Populations Program, using its Results Matrix. The semi-annual progress reports will also include monthly progress monitoring reports on the Tax Credit and Tax Deferral progress of the qualifying firms including firm's payroll information meeting program guidelines and will follow up on the epidemiological reports associated with the pandemic. An annual execution plan will also be presented once the emergency situation has stabilized.
12. For purposes of the supervision of the financial management of the Reoriented Resources, the following external audit financial reports have been identified to supervise the financial management of the Support to Vulnerable Populations Program: (i) a reasonable assurance engagement audit, audited preferably by the Auditor General of The Bahamas or an eligible independent Audit firm. This report will be submitted to the Bank within ninety (90) days after each semester and one hundred twenty (120) days after the end of each fiscal year;

and, (ii) a final audited report will be submitted within one hundred twenty (120) days after the last disbursement date of the Reoriented Resources.

13. The Parties agree that the evaluation of the results of the Support to Vulnerable Populations Program and the representative survey to ensure the continuity of the Labor Force Survey will be conducted in accordance with the program's Simplified Monitoring and Evaluation Plan.

## ARTICLE TWO

The Parties hereby agree that all other provisions of Loan Contract 3787/OC-BH remain in full force and effect.

## ARTICLE THREE

The Parties agree that this Amendatory Contract shall enter into force from the date of signature by the authorized representative of the Borrower.

IN WITNESS WHEREOF, the Borrower and the Bank, each acting through its authorized representative, have signed this Amendatory Contract in Nassau, N.P., The Bahamas.

THE COMMONWEALTH OF  
THE BAHAMAS

INTER-AMERICAN DEVELOPMENT  
BANK



The Most Hon. Hubert Alexander Minnis  
Prime Minister and Ministry of Finance



Daniela Carrera-Marquis  
Representative of the Bank in the Bahamas

Date: December 12, 2020

Date: December 8, 2020

## ANNEX

### Support to Vulnerable Populations through the Tax Credit and Tax Deferral Employment Retention Program in Industries Affected by the Coronavirus

#### I. Objectives

- 1.01 The objective of the Support to Vulnerable Populations Program is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19.
- 1.02 The specific objective is to support formal employment levels in specific industries affected by the coronavirus in the immediate period.

#### II. Description

- 2.01 To achieve the objectives indicated in Section I above, the Support to Vulnerable Populations Program comprises the following:

**Single Component: Protection for the vulnerable population not on the rosters of transfer programs, working in the formal sector**

- 2.02 This component will finance actions to shield formal sector jobs. Specifically, it will finance subsidies to formal sector enterprises to maintain formal employment levels and minimize layoffs of vulnerable workers. These subsidies will be offered in the form of tax deductions, credits and deferrals, and target the sectors hit by the crisis. They will be administered by the Ministry of Finance (MOF) through a "Tax Credit and Tax Deferral Employment Retention Program" announced by the Office of the Prime Minister on March 30<sup>th</sup> 2020 and which started in April 2020. For purposes of this single component, tax expenditures by the MOF are understood to be money that the Government of The Bahamas ceases to receive due to the tax deferral to maintain formal employment levels or minimize layoffs of vulnerable workers.

#### **Administration**

- 2.03 The audits, the hiring of a financial specialist and the hiring of a firm to carry out a new round of the Labour Force Survey (LFS) for the Support to Vulnerable Populations Program will be financed.

#### III. Financing Plan

- 3.01 The distribution of the Reoriented Resources is set forth in the following table:

**Cost and Financing**  
(in US\$ thousands)

<b>Components</b>	<b>Bank</b>	<b>Local</b>	<b>Total</b>	<b>%</b>
Protection for the vulnerable population not on the rosters of transfer programs, working in the formal sector	19,358	0	19,358	99.2
Administration and contingencies	155	0	155	0.8
<b>Total</b>	<b>19,513</b>	<b>0</b>	<b>19,513</b>	<b>100</b>

**IV. Execution**

- 4.01** The Executing Agency of the Support to Vulnerable Populations Program is the MOF. Within the Executing Agency, the Financial Secretary will provide strategic direction and technical oversight while the Department of Inland Revenue will be responsible for the execution of the Support to Vulnerable Populations Program, including the submission of financial reports and audits. The Support to Vulnerable Populations Program will follow the guidance for business qualifying for the Tax Credit & Tax Deferral relief under the Employment Retention Program, which will regulate the use of the Reoriented Resources, and require the following information for Bank disbursements: (a) Eligible firms will present evidence of February 2020 Payroll; and (b) the Executing Agency will present the number of employees that benefit from the Bank's Support to Vulnerable Populations Program, with confirmation that they have retained their employment after the three (3) months qualifying period including payment confirmation of payroll.