

## Technical Cooperation Document- Non reimbursable Technical Cooperation

### I. Basic Information for TC

▪ Country/Region:	BAHAMAS
▪ TC Name:	Support to Loan BH-U0001 Building a Social and Inclusive Blue Economy in the Bahamas
▪ TC Number:	BH-T1090
▪ Team Leader/Members:	Stevenson, Claudia (IFD/CTI) Team Leader; Alleng, Gerard P. (CSD/CCS) Alternate Team Leader; Hori, Tsuneki (CSD/RND) Alternate Team Leader; Prats Cabrera, Joan Oriol (IFD/CMF) Alternate Team Leader; Acevedo Calle, Daniela (LEG/SGO); Acosta, Geovana (IFD/CTI); Anta, Rafael (IFD/CTI); Carey, Inga Kenris (CCB/CBH); Dohnert De Lascurain, Sylvia Eva (IFD/CTI); Goni Pacchioni, Edwin Antonio (IFD/CTI); Gonzalez Alzualde, Yohana Beatriz (IFD/CTI); Jimenez De Arechaga, Pilar (LEG/SGO); Kelly Castillo, Emily Leticia (IFD/CTI); Sierra Liranzo, Mayrett (IFD/CTI) Tsuneki (CSD/RND) Alternate Team Leader; Prats Cabrera, Joan Oriol (IFD/CMF) Alternate Team Leader; Acevedo Calle, Daniela (LEG/SGO); Acosta, Geovana (IFD/CTI); Anta, Rafael (IFD/CTI); Carey, Inga Kenris (CCB/CBH); Dohnert De Lascurain, Sylvia Eva (IFD/CTI); Goni Pacchioni, Edwin Antonio (IFD/CTI); Gonzalez Alzualde, Yohana Beatriz (IFD/CTI); Jimenez De Arechaga, Pilar (LEG/SGO); Kelly Castillo, Emily Leticia (IFD/CTI); Sierra Liranzo, Mayrett (IFD/CTI)
▪ Taxonomy:	Operational Support
▪ Operation Supported by the TC:	BH-U0001.
▪ Date of TC Abstract authorization:	08 Jul 2021.
▪ Beneficiary:	The Commonwealth of The Bahamas through the Minister of Finance
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC Strategic Development Program for Institutions(INS)
▪ IDB Funding Requested:	US\$200,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 Months
▪ Required start date:	11/01/2021
▪ Types of consultants:	Individuals
▪ Prepared by Unit:	IFD/CTI-Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	CCB/CBH-Country Office Bahamas
▪ TC included in Country Strategy (y/n):	Y
▪ TC included in CPD (y/n):	N
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation; Institutional capacity and rule of law; Environmental sustainability

### II. Objective and Justification

- 2.1 The main objective of this Technical Cooperation project is to support the Government of the Bahamas in strengthening its institutional capacities for the development and implementation of policy measures and financial mechanisms to promote sustainable Blue Economy. The specific objectives are to: (i) strengthen the technical capacities for policy development and monitoring in the Blue Economy; and (ii) to develop sustainable financing strategies.

- 2.2 **Blue Economy in the Bahamas.** The Bahamas' Exclusive Economic Zone (EEZ) covers 260,000 square miles, of which 5% is land and 95% is sea,<sup>1</sup> representing the largest development space for the country.<sup>2</sup> With 95% of the country's territory located in the marine habitat and a regional average of 70% of the country's population living on the coast, marine resources have the potential to become an important source of economic production, if properly managed and protected. The economic contribution of the Blue Economy in The Bahamas has been estimated in 21.5% of the GDP, and up to 50% including the indirect impacts, encompassing: (i) the harvesting of living resources (seafood and marine biotechnology); (ii) extraction of nonliving resources (mineral, energy and freshwater), (iii) commerce tourism and trade (transport, tourism and recreation); and (iv) the indirect contribution to economic activities and the environment (carbon sequestration, coastal and biodiversity protection, waste disposal and ocean monitoring and surveillance).<sup>3</sup> The geographic conditions of The Bahamas, which enable many Blue Economy activities, also creates higher costs of doing business and high vulnerability of the coastal ecosystems, while economic activities related to of marine resources, need to be carefully managed to ensure its sustainability. As an archipelago, ocean pollution has the potential to have a significant impact on coastal economic activities.
- 2.3 Small Island states, such as the Bahamas are more affected as they depend more vastly on ocean activities while being more vulnerable. After COVID-19, hard hit Small Islands Development States (SIDS), many countries are engaging into "blue recovery" programs, fostering economic diversification under a more resilient and sustainable framework.<sup>4</sup> Evidence from other experiences in the region show that to stimulate the Blue Economy growth in small islands, an integrated approach, with measures to facilitate and reduce the cost of economic activities in Blue Economy sectors, jointly with activities for the optimal use of marine resources should go hand in hand.<sup>5</sup> Countries such as Barbados, Belize and Grenada have developed strategies and institutional mechanisms to promote the Blue Economy and Grenada has prioritized the Blue Economy for the country's long term vision and implemented policies and projects to optimize its coastal, marine, and ocean resources. Countries such Seychelles launched a sovereign blue bond designed to support sustainable marine and fisheries projects.
- 2.4 The governments, jointly with financial stakeholders and private sector, have a key role to play in supporting ocean sustainability and delivering transformative change to ocean economies. There is high demand for financial instruments that pursue the objectives of the United Nations Sustainable Development Goals (SDGs) and promote ESG initiatives. Therefore, innovative financial solutions are crucial to ensuring the protection and preservation of ocean and coastal resources, whilst also presenting opportunities for the economic, social, and environmental development of coastal States and sustainable businesses. In order to emphasize the responsibility of business to ensure a healthy and productive ocean, the United Nations Sustainable

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<sup>1</sup> Convention on Biological Diversity.

<sup>2</sup> Roberts, J. 2014.

<sup>3</sup> MCRIT. 2020.

<sup>4</sup> OECD 2021.

<sup>5</sup> [The Blue Economy and Small States](#).

Ocean Business Coalition<sup>6</sup> has identified 5 “tipping points, that represent the ocean contribution to their Ocean Stewardship Agenda 2030: (i) Sustainable seafood; (ii) decarbonized shipping; (iii) harnessing ocean electricity; (iv) mapping the ocean; and (v) end waste entering the ocean.

- 2.5 The Bahamas National Development Plan: Vision 2040<sup>7</sup> sets economic diversification as a priority goal for resilient growth, the sustainable development of new sectors (including the Blue Economy), and protection of coastal and maritime ecosystems. With the COVID-19 pandemic and the recent natural disasters, actions to improve economic and environmental resilience have become a priority for the Government, as evidenced by the Economic Recovery Committee report.<sup>8</sup> The Government of The Bahamas has complemented the short-term support for MSMEs during the COVID-19 pandemic, with additional measures to support long term growth in areas related to the Blue Economy.<sup>9</sup>
- 2.6 Several institutions of The Bahamas are involved in promoting a more productive and healthier ocean, such as the Ministry of Agriculture and Marine Resources, in charge of marine resources; the Small Business Development Center (SBDC), in charge of promoting MSMEs; the Ministry of the Environment, in charge of environmental health of the ocean; the Ministry of Public Works, in charge of resilient coastal infrastructure; the Ministry of Disaster Preparedness, Management and Reconstruction (MDPMR),<sup>10</sup> in charge of disaster preparedness; The Bahamas Royal Defense Force, in charge of prevention of illegal fishing; The Bahamas National Trust, in charge of ocean protection; and the Ministry of Finance in charge of coordinating all the activities related to Blue Economy. As the role of the Ministry of Finance has been pivotal in promoting Blue Economy activities, its role technical and institutional capacities need to be strengthened.
- 2.7 **Strategic Alignment.** The operation is consistent with the Second Update to the Institutional Strategy 2020-2023 (AB-3190-2) and is aligned with the development challenge of productivity and innovation as it promotes the institutional strengthening on blue economy investments and innovative financing mechanisms. It is also aligned with the objectives of the Strategic Development Program for Institutions (GN-2819-1) as it promotes institutional strengthening for policy formulation in the Blue Economy in the relevant institutions in The Bahamas. The operation is also aligned with the cross-cutting issues of: (i) climate change, since the blue economy approach promoted by it ensures environmental sustainability of coastal and marine ecosystems and provides means for a resilient and sustainable recovery from the coronavirus pandemic; (ii) institutional capacity and rule of law as it strengthens the institutions in charge of policy making; and (iii) of productivity and innovation as it supports more productive and innovative ocean activities and innovative financing methods. The operation is aligned with the intervention areas of the Corporate Results Framework 2020-2023 (CRF) (GN2727-12), namely: (i) support for new or improved

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<sup>6</sup> <https://www.unglobalcompact.org/take-action/action-platforms/ocean>.

<sup>7</sup> [Vision 2040](#).

<sup>8</sup> [OPM Reports](#).

<sup>9</sup> IDB Caribbean Department. 2020. [Caribbean Economics in the time of the Coronavirus](#).

<sup>10</sup> The Preparedness, Recovery and Reconstruction Team (P2RCT) leads the Disaster Risk Management (DRM) strategy in The Bahamas, coordinates disaster risk management activities including programs, technical cooperation and knowledge products.

environmental legislation and/or governance, including financial mechanisms and incentives targeted at promoting environmental sustainability. It is also aligned with the strategic objectives of the IDB Group Country Strategy with The Commonwealth of The Bahamas 2018-2022 (GN-2920-1) of promoting innovation and innovative practices in traditional and nontraditional sectors as it promotes innovative practices in the Blue Economy. This TC aligns with the Bank's Global Vision 2025 as it: (i) promotes sustainable and inclusive economic growth; and (ii) supports economic recovery by optimizing the resources of the Blue Economy; The operation also promotes IDB' subregional initiative of smart and resilient investment for the Caribbean-Build Forward.<sup>11</sup>

- 2.8 Complementarity with other interventions.** This operation provides operational support to BH-U0001, Building a Social and Inclusive Blue Economy in the Bahamas. BH-U0001 has been structured as a Policy Based Guarantee (PBG<sup>12</sup>) for an amount of US\$200 million. The general objective is promoting a more productive and healthier ocean in The Bahamas. The specific objectives are: (i) promoting MSME's business recovery in the Blue Economy and prospecting investment projects suitable for Blue Bond financing; (ii) promoting digitalization in the Blue Economy; (iii) improving the resilience of the Blue Economy through improved climate risk management in coastal and offshore areas; (iv) promoting better management (certification, traceability, and protection) of marine resources; and (v) reducing marine pollution, in which a series of policy measures have been agreed to work for a more productive and healthier ocean. The activities in this TC will support strengthening the institutional capacity for developing a Blue Bond. In this regard, this TC seeks to aid in sustainable economic growth through the promotion of the Blue Economy in areas related to institutional strengthening and policy reforms, monitoring and evaluation and alternatives for sustainable financing. The PBG, will support the continuation of key policy reforms related to Blue Economy carried out by Boosting Inclusive and Economic Growth in the Bahamas I and II (5091/OC-BH and 5276/OC-BH) and the inclusion of new reforms related to promoting a more productive and healthier ocean. These reforms strengthen the legal and institutional framework to promote Blue Economy by supporting: (i) reforms aligned with the "five tipping points" for a Healthy and Productive Ocean;<sup>13</sup> and (ii) reforms that promote private investment in the marine space.<sup>14</sup> These set of reforms align with the principles of the emission of a Blue Bond. The present TC will further support the implementation and monitoring of the reforms, as well as providing technical assistance for financial and legal mechanisms for the Blue Economy.

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<sup>11</sup> Build Forward is a sub-regional strategy of Vision 2025 for the Caribbean. It is a delivery-oriented initiative aimed at helping Caribbean countries define Sustainable Development Pathways for their transformation in a smart and resilient manner.

<sup>12</sup> A PBG is comprised of a policy-based instrument in which a series of policy conditions are agreed with the government. Once government complies with the set of policy reforms summarized in the Policy Matrix and in the Policy Letter, the Bank will issue a guarantee for the issuance of a standard bond

<sup>13</sup> The five KPI are: (i) Sustainable and fully traceable seafood; (ii) sustainable transport; (iii) harnessing ocean energy; (iv) mapping the ocean; and (v) end waste entering the ocean. See [Blue Bonds](#).

<sup>14</sup> This instrument combines a policy-based intervention with the use of the IDB sovereign guarantee instrument following Policy for the Flexible Guarantee Instrument for Sovereign Guaranteed Operations (GN-2729-2).

### III. Objectives and Justification of the TC

- 3.1 The main objective of this Technical Cooperation project is to support the Government of the Bahamas in strengthening its institutional capacities for the development and implementation of policy measures and financial mechanisms to promote sustainable Blue Economy. The specific objectives are to: (i) strengthen the technical capacities for policy development and monitoring in the Blue Economy; and (ii) to develop sustainable financing strategies.
- 3.2 **Component 1. Strengthening the Technical capacity for policy formulation and monitoring (US\$100,000).** This component will finance: (i) Review of the progress in policy reforms in the Blue Economy and identification of priority policies to be undertaken, including data collection for informed decision making in the Blue Economy; and (ii) design of a monitoring and evaluation system for the recently implemented policies. These policies will be aligned with the five KPI “tipping points” for the emission of a Blue Bond. Expected outputs will be a roadmap of policy reforms with priority policy actions, and a monitoring and evaluation system designed. The institutions related to the Blue Economy, such as the Ministry of Agriculture and Marine Resources, in charge of marine resources; the Small Business Development Center (SBDC), in charge of promoting MSMEs; the Ministry of the Environment, in charge of environmental health of the ocean; the Ministry of Public Works, in charge of resilient coastal infrastructure; the Ministry of Disaster Preparedness, Management and Reconstruction (MDPMR),<sup>15</sup> in charge of disaster preparedness; The Bahamas Royal Defense Force, in charge of prevention of illegal fishing; The Bahamas National Trust, in charge of ocean protection; and the Ministry of Finance in charge of coordinating all the activities related to Blue Economy will be the main stakeholders for policy design, coordination and implementation.
- 3.3 **Outputs:** (i) Review and identification of priority policies with action plan, including a revision of recent institutional, legal and regulatory policy reforms, analysis of international best practices, coordination mechanisms, gap analysis for the Bahamas and identification of priority policies to foster the Blue Economy in both the public and private sector in alignment with the five tipping points; (ii) monitoring and evaluation plan designed; (iii) design and develop a monitoring and evaluation system to track main priorities and impacts in the Blue Economy including data identification and data collection methods. These outputs will support the continuation and implementation of policy measures geared toward the emission of a Blue Bond initiated with BH-U0001, and will allow for informed decision making as data gathering and analysis mechanisms will be provided.
- 3.4 **Component 2. Sustainable financing strategies (US\$100,000).** This component will support: The activities related to the emission of a Blue Bond in the Bahamas including: (i) The analysis of innovative options for financing projects in the Blue Economy through a Blue Bond; (ii) addressing legal and regulatory issues related for innovative financing options; and (iii) communication and dissemination practices. Outputs for this component will be a report with

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<sup>15</sup> The Preparedness, Recovery and Reconstruction Team (P2RCT) leads the Disaster Risk Management (DRM) strategy in The Bahamas, coordinates disaster risk management activities including programs, technical cooperation, and knowledge products.

recommendations on best practices for financing options for Blue Economy Projects and legal and regulatory support for innovative financing.

3.5 **Outputs:** (i) Identification of innovative financing mechanism for the Blue Economy including international best practices, current trends in Blue Bond Financing, key stakeholders, road map, key institutional measures and key activities and Sec projects to be financed; (ii) Identification and drafting of key legal and regulatory issues to be addressed in order to issue a Blue Bond; and (iii) Communication campaign with key stakeholders, including stakeholder's sensitization workshop and communication campaign. As BH-U0001 supports policy measures geared toward the emission of a Blue Bond in the medium term, this component will provide technical support on the best financing and legal mechanisms for its implementation.

3.6 **Beneficiaries.** The main beneficiaries of this TC will be the Ministry of Finance who will strengthen its capacity for the emission of a Blue Bond, and the different public and private stakeholders involved in the Blue Economy, such as the Ministry of Agriculture and Marine Resources, the Ministry of the Environment, the Bahamas National Trust, the Bahamas Protected Fund, the Bahamas Development Bank, and the University of the Bahamas. In addition, local firms involved in the Blue Economy and coastal communities will benefit for policies and financial instruments geared toward the promotion of the Blue Economy.

#### IV. Description of activities/components and budget

4.1 The total amount of the TC is US\$200,000 to be funded by the Bank through Ordinary Capital. No counterpart amount is contemplated.

Indicative Budget (in US\$ Dollars)

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
<b>Component 1: Strengthening the Technical Capacity of the Government of the Bahamas to lead sustainable economic transformation in the Blue Economy</b>	Strengthening the technical capacity of the GoB to lead sustainable Economic Transformation in the Blue Economy	100,000	0.00	100,000
1. <b>Policy Review</b>	Review of policy reforms and identification of priority areas	50,000	0.00	50,000
2. <b>Monitoring and Evaluation System</b>	Design of a Monitoring and Evaluation System for Policy Reforms in the Blue Economy	50,000	0.00	50,000
<b>Component 2: Sustainable financing strategies</b>	Sustainable Financing	100,000	0.00	100,000

2.1. Analysis of Innovative Option for Blue Economy Financing	Strategies	40,000	0.00	40,000
2.2. Legal support for implementation of Innovative Options		50,000	0.00	50,000
2.3. Dissemination and diffusion		10,000	0.00	10,000
<b>TOTAL</b>		<b>200,000</b>	<b>0.00</b>	<b>200,000</b>

- 4.2 **Supervision arrangements.** The designated focal point in the COF will be the operations analyst assigned by the Country Office and the sector specialist assigned by Competitiveness, Technology, and Innovation Division (IFD/CTI) in Bank Headquarters.

## V. Executing Agency and Execution Structure

- 5.1 **Executing Agency.** The execution will be carried out by CTI at the IDB, in coordination with the Country Office and the Ministry of Finance. CTI will support the identification and supervision of individual consultant to ensure the quality and timeliness of the produces, according to section 4.5 of the Bank's Technical Cooperation Guidelines (GN-2470-2) as: (a) the beneficiary has agreed for this TC to be executed by the bank; and b) the proposed activities are aligned with the strategies and programs of the Bank in the Country. In accordance with the Procedures of Technical Cooperation and Related Matters (OP-619-4; Annex II22): (a) the beneficiary country has requested for the Bank to execute in lieu of the novel and complex technical issues involved in this TC; and (b) the Bank has the required technical expertise and capacity to supervise and monitor the adequate quality of the products.
- 5.2 **Procurement.** The activities to be executed are included in the Procurement Plan and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-4 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature.

## VI. Project Risks and Issues

- 6.1 The main risk for this TC is the need to coordinate with different public, private and civil society stakeholders. This risk will be mitigated by strengthening the capacity of the Ministry of Finance in the leading and coordination of policies related to the Blue Economy and Blue Financing. In addition, the inclusion of key stakeholders from public institutions, private sector, NGOs and academia in the identification and implementation of policies, will promote the sustainability of the proposed policy reforms.

## VII. Exceptions to Bank Policy

- 7.1 No exceptions to Bank Policy.

## **VIII. Environmental and Social Classification**

- 8.1 Given the nature of the program, there are no associated environmental or social risks. Based on the Environment and Safeguards Compliance Policy (OP-703) this operation is classified as “C.”

### **Required Annexes:**

[Request from the Client - BH-T1090](#)

[Results Matrix - BH-T1090](#)

[Terms of Reference - BH-T1090](#)

[Procurement Plan - BH-T1090](#)