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THE BAHAMAS

**INSTITUTIONAL STRENGTHENING IN ACCOUNTING SYSTEMS MANAGEMENT TO
THE BAHAMAS DEVELOPMENT BANK (BHDB)**

TC-81-01-31-3

PLAN OF OPERATIONS

NOVEMBER 1981

OPERATIONS DEPARTMENT

PLAN OF OPERATIONS
(TC-81-01-31-3)

THE BAHAMAS. INSTITUTIONAL STRENGTHENING IN
ACCOUNTING SYSTEMS MANAGEMENT TO THE
BAHAMAS DEVELOPMENT BANK (BHDB)

I. Summary of Principal Information about the Project

- 1.01 Amount, Nature of IDB Financing and Fund: The total cost of the overall operation is estimated to be the equivalent of US\$82,000, of which the Bank would provide, from the net income of the Fund for Special Operations, US\$65,000 on a non-reimbursable basis; the Beneficiary would contribute the equivalent of US\$17,000.
- 1.02 Objective: The objective of this technical cooperation is to assist the Bahamas Development Bank (BhDB) with the financing of advisory services in accounting systems management to strengthen the BhDB accounting, control and financial information systems essential to accommodate an expanded portfolio for onlending in all sectors.
- 1.03 Participants in the Project: (a) Applicant --Ministry of Finance; (b) Beneficiary and Executing Agency --BhDB; and (c) Direct Executor -- one individual consultant.
- 1.04 Period for Execution of the Project: Twelve months from the date of signature of the agreement.
- 1.05 Disbursements: Disbursements are to be made within a period of 22 months following IDB procedures. An Advance of Funds of the equivalent of US\$16,000 could be made. The last disbursement of not less than 10% of the honoraria agreed upon with the consultant would be contingent upon the acceptance of the final report. The Technical Cooperation Agreement signed with the Beneficiary would stipulate that as soon as the services defined in this Plan of Operations are completed, any remaining uncommitted funds for the project will be cancelled automatically.
- 1.06 Responsibility in the Bank: Basic responsibility for this project will rest with Division 7, Region III of the Operations Department. In the absence of a Field Office in The Bahamas, Division 7 will supervise the execution of the project. Technical responsibility for this project will be vested in the Industries and Credit Institutions Division of the Department of Project Analysis.

- 1.07 Technical Cooperation Agreement: The Agreement will be signed between the Ministry of Finance on behalf of the Government of The Bahamas and the Bank.
- 1.08 The Technical Cooperation Agreement with the Government of The Bahamas will be signed within 30 days from the date of its approval by the President of the Bank.
- 1.09 The Agreement will contain an appropriate provision indicating that this technical cooperation provided by the Bank does not imply any commitment on its part to participate in the financing of the programme or projects resulting from the work of the consultant.
- 1.10 Classification of the Project for Statistical Purposes: (a) Sector --Industry and Tourism; (b) Field --Institutional Strengthening; (c) Type --Advisory Services; and (d) Relationship to Loan Programme --Project Implementation.

II. Background

- 2.01 The Commonwealth of The Bahamas is an archipelago extending over 100,000 square miles with an estimated land area of 5,353 square miles and a population of about 220,000 in 1978 located on 29 of the country's 700 islands and cays. Sixty percent of the population resides on New Providence (where Nassau, the capital, is located) and 15 percent on Grand Bahama Island where the major economic activities are found, while the other islands are known as the Family Islands. The island terrain consists primarily of extensive areas of roughly pitted oolitic limestone rock with little or no soil mantle. The climate is semi-tropical with mean daily temperatures ranging between 63°F (17°C) and 80°F (32°C). Mean relative humidity varies from 77 to 82 percent. Rainfall ranges from 40 to 55 inches annually, and the islands are subject to occasional hurricanes.
- 2.02 During the Programming Mission to The Bahamas in October, 1980, Government officials discussed the dynamic role which BhDB is playing in the attainment of the country's development goals towards the creation of a diversified, vibrant and interlinked economy. To strengthen the country's economic base, the Government is pursuing a programme to promote potential growth sectors in the economy and to provide the necessary employment opportunities in rural areas in order to reduce the drift to urban centers where unemployment is rising. One measure taken to achieve this plan is through the BhDB, which is the only instrument available for the financing of socio-economic development (especially of low and medium income beneficiaries) and as such is designed to function as a catalyst of development, helping to stimulate investment and production, technological and managerial capabilities, promotional activity and foreign exchange generation. Thus in view of its special importance in the development of private sector activity in The Bahamas, BhDB and the promotion and execution of its programmes have been accorded the highest priority by the Government.

- 2.03 In December, 1980, the Managing Director of BhDB visited Headquarters to discuss informally a draft loan proposal (of the equivalent of US\$5.4 million) for a global line of credit in industry and tourism with IDB technical staff. Observations were made in light of Bank policy and methodology applied to global credit programmes.
- 2.04 In February, 1981, the Bahamas Development Bank submitted to the Bank a technical cooperation request for institutional strengthening in accounting systems management and operations essential to accommodating an increased lending portfolio in all sectors. To encourage and accelerate investment activities and efforts, the strengthening of BhDB's accounting systems is considered vital if the necessary management tools as well as recording and reporting mechanisms are to be prepared in a timely and professional fashion and if maximum administrative and institutional benefits are to be achieved as a result of past technical cooperation to the BhDB in the fields of subloan administration, training and promotion. The present system of accounting being utilized operates on a manual basis, and was installed from the inception of the BhDB. Both as a result of the increased lending activity and growing demands by Management for current and timely accounting records of subloans, on which to make decisions, increased burdens have been placed on the present system which is beyond its capability to bear. BhDB officials have already undertaken a basic analysis of alternatives for a mechanism system which could be installed; however, assistance in evaluating and implementing the most appropriate system for BhDB purposes is still required. Government authorities felt that the proposal for 12 months of accounting advisory services should be in progress well before BhDB expands its portfolio further to avoid unnecessary delays in administering existing as well as future lines of credit.
- 2.05 In June, 1981, the Bank sent an Orientation Mission to the Bahamas to review the organization, structure and activities of BhDB and within this framework to discuss the technical cooperation for advisory services in accounting systems management and a draft loan request for a global tourism/industry credit programme. The Mission identified the immediate need for technical cooperation in accounting systems management as an issue of high priority to avoid pressures resulting from a rapid expansion of BhDB's portfolio and expanded role of activities. Subsequently, the Bank consulted with BhDB officials about modifications to the scope of work to be undertaken and the terms of reference for the project, modifications which BhDB has accepted.
- 2.06 To promote lending activity in industry and tourism, BhDB sponsored in March, 1980 a business project observation mission of private Bahamian entrepreneurs to Hawaii. The purpose of this trip was to generate interest joint venture investment and trade opportunities as one method of transferring technology and equity into majority-owned Bahamian industries. This trip afforded an opportunity for on-site observation visits to factories and projects from which similar operations and techniques might be applied in The Bahamas, including mariculture, tourist souvenir manufacturing and clothing manufacturing.

- 2.07 In the meantime, in June, 1981, BhDB submitted to IDB a US\$5.4 loan request for a global line of credit in industry and tourism. After a preliminary review of the proposal, it has been decided to postpone consideration of the loan for a year for the following reasons: a) the current high liquidity of BhDB, 1/; b) the likelihood of a second multisector loan from CDB now being appraised; c) BhDB's administrative capability to move the resources under the proposed programme; and d) uncertainty of sufficient demand for all resources that would be available to BhDB.
- 2.08 The enactment of the Bahamas Development Bank Act of 1974, and the subsequent opening of the institution for operations in 1978, was intended to provide the missing financial link between the establishment of domestic light manufactures and the Industries Encouragement Act of 1970, which granted approved local entrepreneurs exemptions from duties on imported machinery and raw materials as well as exemptions on real property and export taxes. However, the actual establishment of approved industry was hindered because of the lack of available medium and long term financing under terms favourable to this type of activity. Since then, BhDB has become the principal vehicle for the provision of medium and long term financing mainly in the areas of tourism and ancilliary facilities, manufactures, agriculture and agro-industries, as well as fisheries and fish processing. The equivalent of approximately US\$3.3 million in loan approvals were processed as of December 31, 1980 of which US\$2.2 million was for projects in New Providence and Grand Bahama and the remainder for the Family Islands. 2/
- 2.09 The authorized capital of the BhDB is Bhs\$ 5.0 million divided into one million shares of five dollar per value, of which the Government is permitted to subscribe up to one million shares. The Bank's Act restricts its borrowing authority by placing a statutory limit on the total liabilities of the Bank at 7 times the aggregate amount of paid-in capital and the reserve fund. From net profits, each year the Bank is obligated to hold in reserve 25% to meet contingencies until the total of the reserve fund equals the amount of paid up capital. The Bank currently has the equivalent of US\$4.0 million in paid-up capital as well as an additional US\$1.0 million line of credit from the Government as a long term debt without maturity at 2 1/2 percent per annum. This loan is subordinated to the Government's equity participation.

1/ As of April 30, 1981, total estimated assets of BhDB were valued at the equivalent of US\$7.9 million, of which US\$3.3 million was in subloans outstanding with the balance of US\$4.6 million placed in securities and Government bonds. As a relatively young institution, BhDB has been investing over the short term, using the profits from such investment to defray high administrative costs incurred by virtue of the geography of the country.

2/ A summary of BhDB's lending activity as of December 31, 1980, is shown in Annex 1.

- 2.10 From May, 1977 to May, 1979, the EEC sponsored advisory services from two consultants in setting banking policies (primarily for resource mobilization) and in establishing a basic accounting control system. Additionally in 1979 the EEC approved the equivalent of US\$1.0 million in units of account to BhDB for multisector onlending. Conditions for onlending are still being negotiated. For the period 1981-85, the EEC has earmarked approximately US\$3 million in lending activity to The Bahamas, concentrated mainly in the agriculture and education and health sectors. As a result, the EEC's lending programme does not contemplate further technical assistance to the BhDB at this time and consequently the IDB was approached for financing in this area. In February, 1978, the Caribbean Development Bank (CDB) authorized a global loan of the equivalent of US\$2.3 million in hard resources and US\$0.7 in soft resources to the BhDB for onlending in agriculture, fisheries, industry and tourism. As of December 31, 1980, the loan was fully committed and disbursements of US\$1.5 million had been made.
- 2.11 General administration and policy direction of the Bahamas Development Bank is the responsibility of a seven-member Board appointed by the Minister of Finance for three-year terms with a Chairman appointed for a five year term. The present Board is chaired by the Finance Secretary of the Ministry of Finance and includes three members from the banking community, one from the business community, one from the Hotel Corporation and one member who functions as the Managing Director of the Bank. Policy implementation and planning, and operating and administrative activity is handled by managerial staff, supervised by the Managing Director. BhDB is organised into Operations, Financial, Secretariat and Administrative Departments. The Operations Department promotes and analyses proposed projects and administers and supervises loan contracts. The Financial Department maintains accounting manual records and provides financial information. The Secretariat performs administrative services. BhDB's staff comprises 23 employees, 13 of which are professionally qualified. 1/
- 2.12 On October 18, 1978, the Board of Executive Directors approved ATN/SF-1669-BH for US\$49,990 to assist the Government of The Bahamas in obtaining advisory services in development banking to develop and implement operational procedures and guidelines in order to strengthen the administrative and technical capacity of the BhDB. The final report submitted by the consultant on March 25, 1980 has been accepted by the Government and the Bank. The objectives of the technical cooperation as

1/ Including the Managing Director, 3 loan supervision officers, 4 project officers, 3 accountants and a money manager, 1 legal and credit officer and 1 administrative assistant.

well as the Terms of Reference were completed satisfactorily and on schedule. The consultant's final report has been accepted. Disbursements of US\$44,458 were made and a cancellation of the undisbursed balance of US\$5,531 completed. As a consequence of this project, the consultant prepared two documents containing administrative procedures, guidelines and methodology, especially with respect to training and operational efforts: (1) a "Manual of Administrative and Lending Policies and Procedures" which codifies the policies promulgated by the Bank's Act of 1974, minutes of the Board of Director's meetings, management meetings, Inter-American Development Bank loan agreements and credit regulations as well as the consultant's own suggestions relating to administrative and lending procedures; and (2) "A Suggested Plan of Action and Proposed Five Year Work Program For The Bahamas Development Bank" identifying five year indicative lending targets and related staffing requirements and a short-term institutional training programme (part of which has been incorporated in this proposal) and suggesting a list of 100 selected potential business opportunities for small entrepreneurs. Draft documents prepared include: (1) Direct Loan Agreement (addressing use of funds, collateral, insurance, disbursements, limitation on fixed assets, reports, books and records, dividends and compensation, fees and commissions and so forth); (2) Agreement for Erecting a Turn-Key Plant (containing provisions for standards and specifications for industrial production and general guidelines useful in any purchase of a manufacturing or food processing facility); (3) Guarantee Agreement; (4) General Agreement of Indemnity; and (5) Standard Chattel Mortgage Agreement. Training activities undertaken by the consultant included seminars on technical publications, sources of project information and potential projects such as mariculture, shark-skin marketing and truck assembly. The consultant also worked with individual employees and introduced, for example, the use of standard hotel accounting system procedures in the preparation of a Family Island hotel feasibility study. From the results of this technical cooperation, it is evident that the objective of this project was accomplished. Additionally, a solid operational and administrative foundation was established such that BhDB is now ready to prepare its staff to focus upon the promotion and handling of an expanded portfolio in all sectors. BhDB not only contemplates increased activity in industry and tourism but in addition BhDB will be acting as the financial agent for the Ministry of Agriculture for a US\$0.6 million agricultural line of credit.^{1/}

^{1/} A component of the loan proposal for Agricultural Support Services for the Family Islands (BH-0011) now being considered by the Bank.

- 2.13 In October, 1980, the President approved ATN/SF-1895-BH for US\$80,000 to provide advisory services from an individual consultant to strengthen BhDB's operational capacity in and exposure to various facets of industry and tourism-related projects in preparation for an increased programme of on-lending in these sectors. Thus far, the consultant has assisted BhDB in developing a socio-economic baseline data collection base from which an evaluation of subborrowers could be done, has assisted with the preparation of loan proposal for the financing of a global line of credit in industry and tourism and has formulated a detailed training programme for BhDB staff to be undertaken with a specialized institution ^{1/}. As of July 31, 1981, disbursements of US\$47,000 had been made.
- 2.14 In May, 1979, the Board approved loan 50/IC-BH (Fisheries Development Programme ^{2/}) for the equivalent of US\$3.3 million to assist BhDB through a global line of credit in financing subloans for the purchase and/or improvement of fishing vessels, gear, equipment and machinery; the establishment, expansion and/or improvement of processing, storage, transport and distribution equipment and facilities. The loan contains technical cooperation for individual consulting services for strengthening capability in promoting, appraising and administering fishery-related subloans. The consultant has already commenced work and disbursements totalling the equivalent of US\$656,000 for 23 subloans have been processed thus far.

III. Objective:

- 3.01 The purpose of this technical cooperation is: 1) to assist the BhDB in reviewing, modifying and strengthening its accounting, control and financial information systems essential to accommodate an increased portfolio; and 2) to encourage and accelerate BhDB's investment activities and efforts.

^{1/} BhDB has negotiated a proposal using the services of the American Bankers Association for this training programme.

^{2/} To complement this programme, the Bank also approved loan 25/VF-BH to construct a fish terminal at Potters Cay, Nassau. At the same time, parallel technical cooperation, ATCN/SF-1728-BH, was approved to prepare Phase II of a fishery project in the Southeast Islands (including the possible construction of fish processing and holding facilities and the training of fishermen).

IV. Description of the Project:

- 4.01 The objective of the project would be accomplished by an individual consultant, with experience in the design and implementation of accounting and control systems in the development banking sector. In order to complement BhDB's efforts to implement its Five Year Development Plan in terms of resource mobilization and operations expansion and to adapt BhDB's organization, systems and procedures to accommodate a broader role, the consultant would undertake the following tasks covering diagnosis, design, implementation and control aspects:
1. Review and analyze present systems, procedures and information processing capacity in financial planning, budgeting, accounting, control and loan administration in light of existing and future management information needs and effective portfolio management.
 2. Design modified planning, budgeting, accounting and control systems (with appropriate detail regarding information recovery, reporting procedures and format) and design a portfolio management system.
 3. Recommend improvements in the present information processing systems and assist in the preparation of manuals and in the implementation of modifications to accommodate the new systems.
 4. Assist in the selection process for the acquisition of the most appropriate equipment for the processing of accounting and statistical information.
 5. Train BhDB staff in the application of these new systems.

Execution of the Project:

- 4.02 The objective of this technical cooperation, as identified in paragraph 3.01, would be accomplished by an individual consultant over a period of 12 successive months of consultancy services from the date of initiation of work.
- 4.03 The tasks mentioned in paragraph 4.01 would be carried out with relevant counterpart Bahamian personnel with the object of providing training to develop BhDB staff in management information flows and accounting and control systems and procedures. Additionally, if necessary, the consultant should utilize local capabilities within related agencies and ministries in The Bahamas.
- 4.04 To assist the consultant in the execution of this technical cooperation, the Beneficiary would provide the necessary office support (secretarial services and office space and so forth).

- 4.05 Within six months from the date of signature of the Technical Cooperation Agreement, the Beneficiary will select and contract the individual consultant directly in accordance with the policies and guidelines established in the Technical Cooperation Manual. The consultant will undertake his/her functions according to the Terms of Reference included Annex 3 of this Plan of Operations.

V. Total Cost of the Project

- 5.01 As shown in the following budget, the total cost of the proposed technical cooperation would amount to the equivalent of US\$82,000 ^{1/} of which the Bank would contribute the equivalent of US\$65,000, on a non-reimbursable basis in accordance with the policy specified in the Technical Cooperation Manual ^{2/}.

(in equivalent US\$)			
	<u>IDB</u>	<u>Beneficiary</u>	<u>Total</u>
2. <u>Individual Consultant</u>			
2.1 <u>Honoraria</u>	<u>38,000</u>	<u>-</u>	<u>38,000</u>
2.3 <u>Recruitment, Appointment and Repatriation</u>	<u>2,400</u>	<u>-</u>	<u>2,400</u>
2.4 <u>Other Components and Benefits</u>	<u>11,640</u>	<u>-</u>	<u>11,640</u>
2.5 <u>Business Travel</u>	<u>3,000</u>	<u>4,000</u>	<u>7,000</u>
2.5.2 Local (Inter-Island)			
2.5.2.1 Tickets (includ.charters)	3,000	-	
2.5.2.9 Other (ground transportation)	-	4,000	
5. <u>Other Staff</u>	<u>-</u>	<u>900</u>	<u>900</u>
6. <u>General Support</u>	<u>500</u>	<u>6,500</u>	<u>7,000</u>
98. <u>Contingencies</u>	<u>9,460</u>	<u>5,600</u>	<u>15,060</u>
TOTAL	<u>65,000</u>	<u>17,000</u>	<u>82,000</u>
	=====	=====	=====
Percentage	79.3	20.7	100.0

^{1/} See detailed budget in Annex 2.

^{2/} See Section TC-801 of the Technical Cooperation Manual dealing with institutional strengthening for public sector bodies or non-profit private organizations.

III. Justification

- 6.01 The tourism sector's contribution to the country's foreign exchange earning capability is substantial. Directly or indirectly this sector employs more than 40 percent of the labour force and contributes about 70 percent to the country's total G.D.P. while providing more than 60 percent of all foreign exchange earnings. With the exception of some fish products, almost 100 percent of the Bahamas requirement for consumption goods is imported of which 65 percent is required to meet the needs of the tourism sector. Import substitution projects in agriculture and industry for possible BhDB financing have been identified which will contribute to the reduction of imports, conserve foreign exchange earnings and increase the multiplier effect of visitor expenditures (now estimated to be 0.89) while accommodating the estimated annual 2.5 million visitors by 1985. An analysis of the sector has demonstrated favourable economic benefits from continued tourism development of 7,000 hotel rooms over a ten-year period. From the current projects under construction or approved for development in the near future, nearly 3,200 rooms will be completed on sites which are already identified. Thus about 3,800 rooms remain to be developed as incremental units.
- 6.02 During the early 70's, The Bahamas experienced an increase in visitor arrivals which levelled off in 1973 and dropped slightly in 1975 as a result of the oil crisis. By 1979, the number of tourists was up by 4.8 percent, growing from 1,706,940 in 1978 to 1,789,420 in 1979. Expenditures had also increased with 1979 estimates placing the gains at some 16 percent over 1978 or a total expenditure of the equivalent of US\$575 million. This increased expenditure was primarily the result of longer lengths of stay and inflation on prices. As occupancy rates attained record levels in 1979, strains on existing tourist facilities appeared pointing to the need for expansion in hotel and resort facilities.
- 6.03 Presently it is estimated that manufacturing contributes about 12 percent to the country's G.D.P. and provides employment for about 5 percent of the labour force. The major industries of The Bahamas are located on Grand Bahama: the oil refinery, cement plant, oil transshipment depot, pharmaceuticals and a range of light industry. There is further light industry in New Providence but in the absence of an adequate transport network in the Family Islands, such activity there is confined largely to boat-building (notably in the Abaco Cays), mineral extraction (aragonite in Bimini and salt in Inagua and Ragged Island) and straw-work (on a cottage industry basis). It is becoming increasingly important for the industrial sector to develop in balance with the tourism and marine resources sectors thereby contributing to the diversification of the economy while replacing imports as much as possible. Industrial projects which have been identified for analysis and implementation by the private sector must also be encouraged.

- 6.04 As of December 31, 1980 the BhDB had approved 89 projects totalling the equivalent of nearly US\$3.3 million. 1/ BhDB is already the recipient of funds from the CDB and the EEC and submitted a proposal to IDB for a global line of credit in industry and tourism in June, 1981. 2/ In the meantime, as subloan activity increases, it is anticipated that not only subloan promotion and administration efforts must be emphasized but also management and accounting and control capabilities.
- 6.05 With respect to subloan administration efforts, administration procedures and lending policies developed for the BhDB as a result of ATN/SF-1669-BH are presently in use, involving the development of administrative manuals and lending policies and procedures as well as of Five Year Development Plan.^{3/} With regard to subloan promotion initiatives, the BhDB is already a recipient of ongoing technical assistance (ATN/SF-1895-BH) in the form of advisory consultant services to enhance its operational capacity in and exposure to tourism and industry projects.^{4/} Under this latter technical cooperation potential business opportunities have been identified and preinvestment analyses made with view to determining if all elements are present to permit future BhDB financing once capable local entrepreneurs have been identified. This list was used as a basis of recommendations on the possible catalytic role the BhDB can play in stimulating joint ventures of local business with foreign investment in possible investment opportunities. In addition, subloan promotion efforts through ATN/SF-1895, include training programme with the American Bankers Association designed to provide exposure to small business case work and project packaging with practical field work.^{5/}
- 6.06 The strengthening of BhDB's accounting and information systems is considered vital if the necessary management tools as well as recording and reporting mechanisms are to be prepared in a timely and professional fashion and if maximum administrative and institutional benefits are to be achieved as a result of past technical cooperation to the BhDB in the fields of subloan administration, training and promotion.
- 6.07 This consultancy would also complement the activities of the fisheries consultant (required as per Section 4.02 (iii)(2) of loan 50/IC-BH) whose efforts are being concentrated specifically on the execution of the fisheries line of credit programme (including promoting and identifying projects, training in the administration of fishery subprojects and providing guidance for the preparation of the project appraisal report focussing upon technical, financial, and marketing aspects).

1/ See Annex I, for a summary of BhDB lending activity as of December 31, 1980.

2/ See paragraph 2.07.

3/ See paragraph 2.12.

4/ See paragraph 2.13.

5/ This training complements in-house training and that provided by the CDB.

- 6.08 Additionally such advisory assistance and training would prepare BhDB staff and strengthen the institution's capability to administer a possible line of credit in tourism ^{1/} and industry, scheduled for consideration in 1982, to assist with the creation, expansion and improvement of tourist facilities and industries which may be developed to broaden the group of entrepreneurs and to encourage local ownership and control of enterprises in the country. Given the institutional strengthening and in-service training nature of this technical cooperation request, it is recommended that non-reimbursable resources be used for this project in accordance with the policy specified in the Technical Cooperation Manual for development banks.^{2/}
- 6.09 It is recommended that the equivalent of US\$65,000 be provided to The Bahamas on a non-reimbursable basis from the net income of the Fund for Special Operations in light of Bank policy permitting this treatment in institutional strengthening and training operations to development banks, given their dependence upon funds from the public sector and the importance of enabling such banks to channel resources to the private sector.

VII. Reports

- 7.01 The Technical Cooperation Agreement signed with the Government and the contract signed by The Bahamas with the consultant will specify that the consultant will be required to submit four copies of the following reports to the Bahamas Development Bank, the Ministry of Finance and the Bank:
- (a) Work Programme: Within five weeks from the initiation of work, the consultant will submit a work programme, describing the scope and intended timing of each component of all the activities to be undertaken.
 - (b) First Progress Report: Three months from the date of commencement of works the consultant will submit a report indicating the results of the diagnosis phase outlining the areas for improvement and recommending steps to be taken.
 - (c) Second Progress Report: Six months from the date of the commencement of work, the consultant will submit an interim report indicating the progress made during the design period and will submit manuals for accounting procedures (with a detailed chart and code of accounts), for the management information system and for the internal audit.

^{1/} Activity in this sector is also anticipated as a result of recommendations made in the Tourism Development study and Prefeasibility studies (ATCN/SF-1682-BH).

^{2/} See Sections TC-104 and TC-801 of the Technical Cooperation Manual dealing with institutional strengthening for public sector bodies or non-profit private organizations.

- (d) Draft Final Report: Eleven months from the date of the initiation of work, the consultant will present a draft final report, discussing the implementation of management information and accounting systems and pertinent recommendations.
- (e) Final Report: During the twelfth month of work, the consultant will submit a final report, including an executive summary and all previously mentioned documents and incorporating revisions, if any, based upon comments and observations made by the Executing Agency and the Bank.
- (e) Certification of Costs: Within 60 days from the date of the final disbursement, the BhDB will present to the Bank a statement of expenses charged to the Bank's contribution and its own resources certified by auditors satisfactory to the Bank.

7.02 The Executing Agency will submit to the Bank, within 60 days from the date of the receipt of the final report, a report evaluating the results of the technical cooperation and to the extent to which its objectives were accomplished.

VIII. Evaluation Criteria

- 8.01 The evaluation of this technical cooperation will be made on the basis of an analysis of:
- (a) the achievement of the objectives contained in Section III of this Plan of Operations;
 - (b) the accomplishment of the work described in Section IV; and
 - (c) the review of the reports specified in paragraph 7.01.
 - (d) the completion of the evaluation as specified in FO-505 and FO-505-2.

SUMMARY OF BAHAMAS DEVELOPMENT BANK LENDING ACTIVITY

AMOUNT APPROVED AS OF 31/12/80) ^{1/}

PERIOD	UP TO \$5,000		\$5,001 to \$10,000		\$10,001 to \$25,000		\$25,001 to \$100,000		\$ over 100,001		TOTAL	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Jul.'78 to Dec.'78	4	13,300	2	13,000	1	15,000	6	376,371	4	677,000	17	1,084,671
Jan.'79 to Dec.'79	13	39,267	10	69,976	9	140,814	9	437,590	3	398,568	44	1,086,215
Jan.'80 to Dec.'80	4	37,598	4	28,550	8	123,104	8	391,881	4	539,600	28	1,120,733
Total	21	90,165	16	111,826	18	278,918	23	1,205,842	11	1,615,168	89	3,291,619

YEAR	NO. OF LOANS BY TERM ^{2/}		NO. OF LOANS BY LOCATION ^{2/}			NO. OF LOANS BY PURPOSE (SECTOR) ^{2/}				
	1 - 5 yr.	More than 5 yrs.	New Providence	Grand Bahama	Family Islands	Agriculture	Marine Resources	Tourism	Manufact.	Small Business
1978	9	8	13	0	5	2	5	1	4	5
1979	21	23	19	2	22	21	6	5	9	3
1980	22	16	16	1	21	10	14	4	1	9
Total	52	47	48	3	48	33	25	10	14	17

YEAR	AMOUNT OF LOANS FOR FIXED ASSETS/WORKING CAPITAL										TYPE OF ENTERPRISE NEW - EXISTING									
	AGRICULTURE		MARINE RES.		TOURISM		MANUFACT.		SMALL BUS.		AGRICUL.		MARINE RES.		TOURISM		MANU.		SMALL BUS.	
	Fix.	Work	Fix.	Work	Fix.	Work	Fix.	Work	Fix.	Work	New	Ext.	New	Ext.	New	Ext.	New	Ext.	New	Ext.
1978	83,000	-	319,000	-	220,000	-	314,000	-	61,500	5,000	1	1	5	1	1	-	1	2	3	2
1979	235,910	27,000	202,981	-	446,568	-	402,168	-	45,700	-	5	10	7	5	1	4	4	4	3	1
1980	37,592	12,500	578,950	27,045	284,500	-	14,000	-	163,496	-	9	1	13	1	3	1	1	-	8	1
Total	356,502	39,500	1,100,931	27,045	951,068	-	730,168	-	270,696	5,000	14	12	25	7	5	5	6	6	14	4

^{1/} The amount of subloans approved does not represent the amount actually disbursed. In 1978 \$1.5 million in loans were approved but loans totalling \$455,279 were later cancelled. This has resulted from a number of reasons ranging from the Bank's letter of offer not being accepted to the project being implemented for an amount less than originally anticipated.

^{2/} Some borrowers (projects) have more than one subloan.

ANNEX 2

(in equivalent US\$)

	<u>IDB</u>	<u>Beneficiary</u>	<u>Total</u>
<u>Individual Consultant</u>			
2.1 <u>Honoraria</u>	38,000	-	38,000
2.1.1 Basic Salary (\$3,000 x 12 mos.)	36,000	-	
2.1.2 Accrued Leave	2,000	-	
2.3 <u>Recruitment, Appointment and Repatriation</u>			
2.3.1 Ticket	2,400	-	2,400
2.3.1.1 Consultants	1,200	-	
2.3.1.1 Dependents	1,200	-	
2.4 <u>Other Components and Benefits</u>	11,640	-	11,640
2.4.1 Installation	900	-	
2.4.2 Post Adjustment (\$900 x 11 mos.)	9,900	-	
2.4.3 Insurance	840	-	
2.5 <u>Business Travel</u>	3,000	4,000	7,000
2.5.2 Local (Inter-Island)			
2.5.2.1 Tickets (includ.charters)	3,000	-	
2.5.2.9 Other (ground transportation)	-	4,000	
5. <u>Other Staff (Local Professional)</u>	-	900	900
5.1 Business Travel (local)	-	900	
6. <u>General Support</u>	500	6,500	7,000
6.2 Furniture & Furnishings	-	500	
6.3 Equipment	-	500	
6.4 Supplies			
6.4.1 Teaching materials	-	100	
6.6 Support Personnel			
6.6.3 Editing and Proof Reading	-	200	
6.6.4 Temporary Secretaries and Clerical Assistance	-	4,700	
6.6 Publications			
6.7.1 Printing	300		
6.8 Communications	200		
98. <u>Contingencies</u>	9,460	5,600	15,060
TOTAL	65,000	17,000	82,000
	=====	=====	=====
Percentage	79.3	20.7	100.0

TERMS OF REFERENCE

1. The purpose of this technical cooperation is to assist the Government of the Bahamas in reviewing, modifying and strengthening the accounting, control and financial information systems of the Bahamas Development Bank. The execution of this technical cooperation will be accomplished within 12 months of the initiation of work. The consultant should have complete capability in English and have relevant experience in the design and implementation of accounting and control systems in the development banking sector.
2. The scope of these Terms of Reference shall include, but not be limited to the following:

I. - Diagnosis

1. Review and analyze present systems and procedures in financial planning, budgeting, accounting and control, in light of existing and future management information needs.
2. Review and analyze the systems and procedures in credit approval, loan disbursement and recovery, accounting and statistical information required for effective portfolio management and control, at existing levels of activity and future needs.
3. Review and analyze the present information processing capacity.

II.- Design

1. Design modified planning, budgeting, accounting and control systems, with appropriate detail regarding information recovery, frequency of reports, report formats, distribution, and other required procedures as necessary.
2. Design a portfolio management system utilizing accounting and other statistical information with appropriate detail regarding arrears portfolio procedures, early warning systems for problem loans, borrower profiles by economic activity, and other areas as necessary.
3. Recommend improvements, both qualitative and quantitative, in the information processing systems to allow the implementation of the modified planning, budgeting, accounting, control and portfolio management systems.

III.- Implementation

1. Assist in the preparation of the required modifications to the existing procedures, manuals, charts, formats, to accommodate the new systems.
2. Assist in the selection process for the acquisition of the most appropriate equipment for the processing of accounting and statistical information.
3. Train the counterpart staff in the use of the new systems.

IV.- Control

1. Evaluate and modify final systems and mechanisms..
2. Develop further recommendations considered appropriate to assure the accomplishment of the institutional strengthening objectives.