



Board of Executive Directors

Short Procedure

Expires on 6 August 2020

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Simultaneous Disclosure

To: The Executive Directors

From: The Secretary

Subject: Bahamas. Proposed Reformulation of the project "Skills for Current and Future Jobs in the Bahamas" 3787/OC-BH, approved by Resolution DE-85/16, to Finance the Support to Vulnerable Populations through the Tax Credit and Tax Deferral Employment Retention Program in Industries Affected by the Coronavirus

Inquiries to: Fernando Yitzack Pavón (telephone Country Office in Mexico 52-554164-6263) or Laura Ripani (extension 2152)

Remarks: This operation is distributed as per the terms of Resolution DE-27/20, "IDB Governance Response to the COVID-19 Pandemic Outbreak", approved by the Board of Executive Directors on 7 April 2020, whereby all operations for COVID-19 preparedness and response shall be submitted for the approval of the IDB Board of Executive Directors by Short Procedure.

The Executive Directors are requested to inform the Secretary in writing with copy to "**SEC-EXE**", no later than **6 August 2020 at 5:30 p.m.**, if they wish to interrupt this procedure. If no such communication is received by that date, the attached resolution will be considered adopted by the Board of Executive Directors and a record to that effect will be made in the minutes of a forthcoming meeting.

Reference: PR-4430(10/16), DE-85/16, GN-2996(3/20), GN-2996-4(4/20), DE/27/20

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

THE COMMONWEALTH OF THE BAHAMAS

**PROPOSED REFORMULATION OF THE
SKILLS FOR CURRENT AND FUTURE JOBS IN THE BAHAMAS
(3787/OC-BH)**

**FOR THE FINANCING OF
SUPPORT TO VULNERABLE POPULATIONS THROUGH THE TAX CREDIT AND
TAX DEFERRAL EMPLOYMENT RETENTION PROGRAM IN INDUSTRIES
AFFECTED BY THE CORONAVIRUS**

REFORMULATION PROPOSAL

This document was prepared by the project team consisting of: Fernando Yitzack Pavon, Project Team Leader (SCL/LMK); Laura Giles Alvarez (CCB/CBA); Nathalie Bethel (CCB/CBH); Timyka Davis (SCL/LMK); Ana Gabriela Paz (VPC/FMP); Nalda Morales (VPC/FMP); Leonor Corriols (VPC/FMP); Cesar Montiel (SPD/SDV); Alessandro Sidore (VPS/ESG); Louis-Francois Chretien (LEG/SGO); Andrea García Valero (SCL/LMK).

In accordance with the Access to Information Policy, this document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

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ABBREVIATIONS	
ATR	Approved Tax Relief
BSLC	Barbados Standard of Living Conditions
COVID-19	Coronavirus disease 2019, the disease caused by the 2019 novel coronavirus
C6	Denotes six Caribbean countries: The Bahamas, Barbados, Jamaica, Guyana, Suriname, Trinidad and Tobago
DIR	Department of Inland Revenue
DoL	Department of Labor
EA	Executing Agency
ECLAC	Economic Commission for Latin America and the Caribbean
ESMR	Environmental and Social Management Report
FMP	IDB Operations Financial Management and Procurement Services Office
FY	Fiscal Year
GDP	Gross Domestic Product
GoBH	Government of The Bahamas
IDB	Inter-American Development Bank
LEG	IDB Legal Department
LFS	Labor Force Survey
LGBTQ+	Lesbian, gay, bisexual, transgender, queer, and questioning
MoF	Ministry of Finance
NIB	National Insurance Board
NPV	Net Present Value
PEU	Project Execution Unit
QP	Qualifying Period
WAPES	World Association of Public Service Employees
WHO	World Health Organization

I. PROGRAM BACKGROUND AND PROGRESS

A. Purpose and request of the government for the reformulation of the Program 3787/OC-BH

- 1.1. The purpose of this document is to request the Board of Executive Directors to approve the reformulation of the Skills for Current and Future Jobs in the Bahamas (3787/OC-BH) to reorient undisbursed funds to support minimum income and employment levels for those affected by the coronavirus in the immediate period and during the recovery. The objective of the reformulation is to maintain formal employment levels, favor hiring or minimize layoffs of vulnerable workers. Wage subsidies will be offered through tax credits and tax deferrals. The Government of The Bahamas (GoBH) has prioritized industries¹ most affected by COVID-19 that are not currently covered by other programs.
- 1.2. **Request for reformulation.** In a communication dated April 9, 2020, the Financial Secretary of the Ministry of Finance (MoF) of the Commonwealth of The Bahamas (GoBH) requested the reformulation of the loan ([OEL#6](#)). Given the impact of COVID19, the GoBH has reestablished national priorities and reassessed the national debt envelope. In doing so, the GoBH requested the reformulation of 3787/OC-BH to support businesses in maintaining formal employment levels through the provision of wage subsidies. Specifically, the GoBH requests: i) to eliminate the counterpart financing of US\$30M; and ii) allocate the IDB funding [undisbursed amount US\$ 19,513,464.00] to disburse on the value of the waivers given to companies to cover the gap in government's tax incomes (tax expenditure)². All undisbursed IDB resources will be used for the reformulation; consequently, the original operation will cease to exist.

B. Program background

- 1.3. **Background.** The Bahamas is a service-based economy, which has been experiencing low growth over the past decade. Economic activity is concentrated in a small number of service sectors, notably tourism, financial and real estate services, which jointly accounted for 37% of GDP in 2018.³ Prior to COVID-19, average real GDP growth had been falling, reaching 0.8% growth between 2010 and 2019. The country had also experienced widening fiscal deficits in the past two decades (from -1.5% of GDP FY2000/01-FY2009/10 to -3.3% of GDP FY2010/11-FY2018/19) and a growing debt -to -GDP ratio (which increased at an average yearly rate of 5.4% between 2000

¹ Such as agriculture, hunting, forestry and fishery; mining, quarrying, electricity, gas and water; manufacturing; construction; transport, storage and communication.

² As described in paragraph 2.11. tax expenditures, understood to be the revenue that is foregone by the application of benefits or special tax regimes, are one of the many tools that governments have available for public policy implementation.

³ GDP by economic activity disaggregates as follows: Agriculture and forestry (0.2%); fishing (0.7%); mining and quarrying (0.6%); manufacturing (3%); electricity and gas (2%); water supply and sewerage (0.7%); construction (6.7%); wholesale and retail trade and motor vehicle repairs (10.8%); transport (3%); storage (0.8); accommodation and food services (9.3%); information and communication (3.5%); financial and insurance activities (8%); real estate activities (15.5%); professional, scientific and technical services (2.8%); administrative and support services (2.1%); public administration and defense and social security (5.3%); education (2.3); human health and social work (3.1%); and arts, other services, household employment, extraterritorial organization (7.5%) (National Accounts Report, 2018). According to the National Accounts, tourism is classified across accommodation and food services and real estate activities.

and 2019).⁴ This macroeconomic context coupled with a diagnostic of skills mismatches, that is, a gap between the skills demanded by the private sector and the current skills of the labor force, motivated the design of the original loan.

- 1.4. **Original loan.** On November 2, 2016, the Bank approved the operation 3787/OC-BH: “Skills for Current and Future Jobs in the Bahamas” for US\$25M. The total cost of this operation was US\$50 million, of which US\$25M (50%) were to be financed from resources of the IDB and US\$25M were committed from funds of the GoBH as local counterpart. The objective of this operation was to increase employability and quality of employment of beneficiaries by improving access to quality jobs in The Bahamas, especially for youth. The specific objectives were to: (i) increase relevant skills and employability in productive jobs of the operation beneficiaries; (ii) improve the effectiveness of the Public Employment Services (PES); and (iii) enhance the capacity of the labor market’s intelligence system. The borrower was The Commonwealth of The Bahamas and the Executing Agency (EA) was the Ministry of Labor and National Insurance.
- 1.5. On June 14, 2018, the GoBH requested the addition of a pilot to the project activities under component 3 (Blockchain-based pilot to issue credentials). In addition, on June 18, 2018, the Bank received communication from the GoBH requesting amendments to the Loan Proposal to the effect of a reduction of the total amount of IDB loan financing by US\$5 million, and to increase local counterpart funding by an equivalent amount of US\$5 million. Following this adjustment, the total cost of this operation was US\$50 million, of which US\$20M (40%) were to be financed from resources of the IDB and US\$30M were committed from funds of the GoBH as local counterpart. The operation was signed on July 26, 2018 and received eligibility on January 17, 2019.

C. Program progress

- 1.6. The original date for the Program's last disbursement is July 26th, 2024. Of the total amount of US\$20 million of IDB financing for the Program, the project has disbursed US\$486,536 (2.43%) to date, and US\$19,513,464 remain available and uncommitted from Bank resources. Since its eligibility, the operation had modest progress due to delays in leadership changes within the EA and the lack of a program coordinator within the Program Executing Unit (PEU). Given the delays, advancements in the project’s three components were in the early stages:
 - Component 1: Pre – Apprenticeships, Apprenticeships, Sector Skills Councils. From all the original project components, preliminary work had only begun in Component 1, with the development of the apprenticeship guidelines and establishment of the Maritime Sector Skills Council. Pre-Apprenticeship modules were to start in 2Q of 2020 and Apprentices were to be registered in firms by mid-2020. However, these activities were cancelled due to the pandemic.
 - Component 2: Better Job Matching, Department of Labor. This component would finance the construction of a new building to house the Department of Labor (DoL). In 2019 the EA advised that the original land assigned for this purpose (Clarence A. Bain Building) had been assigned for an alternative purpose. The GoBH was to

⁴ This includes central government debt and contingent liabilities based on The Central Bank of The Bahamas.

assign a different site for the construction of the building for the DoL. The most promising alternative required a feasibility analysis to determine suitability as the site is adjacent to wetlands. As of end of 2019, no alternative land had been formally assigned by GoBH for this purpose.

- Component 3: Labor Market Intelligence System. Activities for this component were not scheduled to begin until 2020. From a perspective of aligning the deliverables associated with Component 3 with the digitization agenda, the PEU had been in communications with the Department of Information Technology to understand the GoBH's requirements and the schematics for development.

- 1.7. **Hurricane Dorian.** Further to the initial project delays, in 2019 the effects of Hurricane Dorian in the Bahamas were among the worst experienced for any natural disaster in the country putting a halt to project activities for several months. Hurricane Dorian struck the Abaco Islands and Grand Bahama Island as a Category 5 hurricane in September 2019. According to The Assessment of the Effects and Impacts of Hurricane Dorian in the Bahamas (2020), total damages and losses reached an estimated US\$3.4 billion (27% of GDP). Whereas damages and losses to the housing sector on the islands of Abaco and Grand Bahama were estimated at US\$1.48 billion and US\$65 million respectively. The magnitude of this event prompted the EA to embark on discussions on a possible request to modify the 3787/OC-BH to address the needs of the country post-Dorian. Towards 4Q of 2019, the GoBH considered that with 3787/OC-BH it could support recovery by addressing recognized skill shortages in the construction industry and building the capacity of Bahamians to benefit from labor market opportunities presented. A decision was pending shortly before COVID-19.
- 1.8. Skills for current and future jobs in the Bahamas remain a priority to the GoBH. However, given the impact of both Hurricane Dorian and the COVID-19 pandemic, the GoBH must prioritize its efforts and take immediate actions requiring the cancellation of the skills for current jobs in the short term. As of July 2020, the GoBH has not expressed plans of future actions related to the cancelled activities under the original operation. An assessment of future action regarding these activities under "skills for current and future jobs in the Bahamas" will take place once there is more clarity on the impact of the pandemic in the local economy and the required actions to reactivate its economy.
- 1.9. In accordance with Directive B.3 of the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703), the Program associated with the Original Loan Agreement was classified as category "B". In conformity with the Bank policies for Category "B" projects, an Environmental and Social Assessment (ESA) and an Environmental Social Management Plan (ESMP) were prepared for the operation. The Original Loan Agreement included an Environmental and Social Management Report (ESMR), that reflected the content of the ESA and ESMP and established specific requirements in respect to the former Component 2 of the Program, and particularly to the construction of the new DoL facility. The ESMR and its conditions are no longer applicable, as: i) the Proposed Reformulation of the Program entails the cancellation of the activities of Components 2; and ii) none of the activities envisaged under Component 2 were commenced.

II. PROPOSED MODIFICATION AND RATIONALE

A. Background, problem to be addressed, and rationale.

- 2.1. **COVID-19 Pandemic.** On March 11, 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. The first cases in Latin America and the Caribbean were reported in late February. Since then, their number has been rising fast, with some 5,820,840 confirmed cases of COVID-19 in the Americas.⁵ On March 17, 2020, the Bahamas confirmed its first case of COVID-19 and recorded the first death on April 1, 2020. As of June 30, 2020, 104 cases of COVID-19 have been confirmed in the Bahamas and 11 deaths have been recorded.⁶ After a series of measures to increase social distancing and self-isolation as of March 2020 (described in section 2.9), on April 20, 2020, the Prime Minister announced the reopening of the economy through a 5-phased approach. Phase 1 commenced on April 20th, 2020, with the reopening of non-essential services in New Providence and the permission for reconstruction activities in the Family Islands to continue. The reopening strategy has been continued reaching phases 3 and 4 in June 2020.⁷
- 2.2. **Macroeconomic and social context.** Latin America and the Caribbean countries have made notable progress in reducing poverty over the last 30 years, reaching percentages near 30% at the end of 2019. However, while transitioning from poverty to higher levels of well-being, 37% of the population are income vulnerable, i.e., highly likely to fall into poverty in the event of major economic shocks. Those living in poverty or vulnerability before the crisis have no way of offsetting the possible drop in their income. In the Bahamas, COVID-19 is affecting both lives and livelihoods. In the short-term, although the epidemiological curve has been flattened, The Bahamas is experiencing a sharp economic contraction and a rapid rise in unemployment and vulnerability, majorly resulting from the halt in tourism activity (which in total accounts for over 40% of economic activity).⁸ COVID-19 is the second major shock to have hit The Bahamas in the past 12 months, as the country is still recovering from the passing of Hurricane Dorian in September 2019. The economic growth forecast for 2020 has thus been revised downward from 1.7%, prior to Dorian and COVID-19, to -12.5%;⁹ the most severe forecast contraction amongst C-6 countries.¹⁰ Unemployment claims to the National Insurance Board (NIB) in March and April 2020 increased almost twenty eight-fold compared to the same period of 2019, and the share of household reporting earnings below the minimum wage more than doubled between January and April 2020. The combination of subdued tourism activity and lower domestic production and consumption (due to company closures resulting from the imposition of strict curfews and lockdowns), are the main reasons behind these trends. In the medium-term (over the next 2-5 years), the Bahamian economy will face the challenge of recovering

⁵ Globally, as of 6 July 2020, there have been 11,301,850 confirmed cases of COVID-19, including 531,806 deaths, reported to WHO. [WHO Coronavirus Disease \(COVID-19\) Dashboard](#). Accessed 6 July 2020.

⁶ [COVID-19 Bahamas Dashboard](#). Last accessed 6 July 2020.

⁷ <https://publications.iadb.org/publications/english/document/LAC-Post-COVID-19-Challenges-and-Opportunities-for-CCB.pdf>

⁸ This figure includes both direct and indirect effects of the tourism sector in The Bahamas, based on <https://wttc.org/Research/Economic-Impact> Tourism arrivals completely stopped between March and July 2020.

⁹ This figure represents the latest GDP growth estimate as of June 2020.

¹⁰ C-6 countries comprise the IDB's Caribbean Department countries: The Bahamas, Barbados, Jamaica, Guyana, Suriname, and Trinidad & Tobago.

economic activity to pre-COVID-19 levels, ensuring the continued protection of livelihoods, as well as financial and fiscal pressures to absorb the negative shock of business closures and the fall in household income.

- 2.3. **The authorities are rolling out a wide range of response measures, but these will affect the GoBH's fiscal stance.**¹¹ Lower revenues and increased expenditures will hinder the Government's fiscal stance, which is expected to widen from -3.4% of GDP in FY2018/19 to -7% in FY2019/20. The economic downturn could continue in 2021, as economic stagnation in key source markets for investment, as well as supply chain disruptions, will likely have further negative externalities on the economy. Foreign Direct Investment (FDI) could thus reduce and, together with lower tourism receipts, have negative effects on the level of reserves, which reached US\$1.7 billion (approximately 15 weeks of import cover) at the end of 2019.
- 2.4. **Problem to be addressed.** The health measures necessary to fight COVID-19, particularly social distancing, have had immediate impacts and will have lasting consequences in the countries of the region. The economic impacts of the coronavirus are associated with the necessary changes in people's behavior to "flatten the curve" of coronavirus progression, which will help save lives. These behaviors may be the result of government mandates (closing schools, canceling public events, etc.), decisions made by companies and other institutions (teleworking, cutting back production, etc.), and decisions made by consumers (reducing social contact). This will lead to a significant economic downturn with immediate manifestations and lingering effects, even once the health emergency is over. From a macroeconomic perspective, in addition to shrinking domestic demand, the Economic Commission for Latin America and the Caribbean (ECLAC) sees at least five impacts to the region's economy:¹² (i) slowing economic activity of key trading partners that will impact the demand for exports; (ii) less demand for tourism services; (iii) interruption of global value chains; (iv) falling commodity prices; and (v) worsening financial terms.
- 2.5. The repercussions of the crisis will hinder a large portion of the population's income. ECLAC projects that the number of people in poverty in the region will rise by at least 35 million (from 185 million to 220 million). Formal sector workers will also be at risk, as businesses are hard pressed to preserve pre-crisis employment and wage levels. According to Azuara et al. (2020),¹³ a loss of formal jobs could occur, affecting between 5.4 million and 18 million workers in the region. Estimated formal job losses for The Bahamas range between -9.3%¹⁴ and -17.7%. According to Azuara et al. (2020),¹⁵ a scenario that assumes a recession for three consecutive quarters would affect around 100,000 vulnerable workers in The Bahamas - those who were already informal workers before the crisis and those who could lose their jobs (all without sufficient income). These estimates reveal the possible extent of the dramatic effect COVID-19 will have on the

¹¹ The GoBH's response package has health, social, fiscal, monetary and private sector support measures. Some examples include additional funding for the health sector, food assistance programs, expansion of unemployment benefits, tax credit and tax deferral schemes, short-term loan programs for micro, small and medium size enterprises, and payroll support, amongst others.

¹² See [ECLAC](#).

¹³ Azuara, O. et al., 2020: "¿Cómo impactará la COVID-19 al empleo?: Posibles escenarios para América Latina y el Caribe. IDB"

¹⁴ This scenario takes into consideration the possibility that the health emergency will conclude during the second semester of 2020 and an economic recovery will begin to be observed towards the end of the year.

¹⁵ Azuara, O. et al., 2020. IDB.

labor market and thus on household incomes in The Bahamas. However, timely and representative data will be required to accurately assess the extent of the impact of COVID-19 in the country. The GoBH was due to conduct the first round of the 2020 Labor Force Survey in May 2020, however this has not been possible and means that no labor market data has been collected in islands such as Abaco and Grand Bahama for more than a year.

- 2.6. **The Bahamas employment is being rapidly affected as an economic downturn stemming from COVID-19.** The unemployment rate is rapidly growing and is expected to reach 15.2% in 2020, compared to 13.4% recorded in 2019 and around 10% recorded in 2017 and 2018.¹⁶ The formal sector is thus a highly vulnerable sector because liquidity constraints may cause firms to reduce employment demand,¹⁷ causing a general effect on the economy. Fewer jobs would result in reduced labor income. In the short term this implies reduced consumption levels,¹⁸ and in the long term human capital depreciates affecting expected quality of life¹⁹ and lower tax contributions. Therefore, if the liquidity constraint in these firms is not addressed, they would be forced to reduce their workforce and in some cases, completely halt operations.
- 2.7. **The magnitude of the problem can be reflected in the potential loss of employment in a group of sectors that represent one third of total employment.** In May 2019, employment in the country reached 214,890 workers. From August to September 2019, the Bahamas suffered the impact of Hurricane Dorian, which did not allow for the Labor Force Survey (LFS) to be implemented in Grand Bahama and Abaco. According to our own estimates, employment in the Bahamas for December 2019 would have reached 194,605 individuals approximately, 33.4% of workers which work in the highlighted industries that benefit with the proposed reformulation. This is equivalent to 64,925 persons employed in the selected industries.²⁰ In contrast, between March and April 2020, the National Insurance Board (NIB) received 27,870 unemployment claims,²¹ compared to 973 claims received in the same period of 2019.¹³ Our estimate is that 8,974 of those will be from the sectors that concentrate one third of employment.
- 2.8. **Challenges and progress.** In response to the pandemic, the GoBH has implemented: i) public health measures to decrease community transmission; and ii) financial measures to support businesses and individuals.

¹⁶ These figures should be taken with care, as the Islands of Abaco and Grand Bahama did not participate in the [December 2019 Labor Force Survey](#)

¹⁷ Chodorow-Reich, G, 2014. *The Employment Effects of Credit Market Disruptions: Firm level Evidence from the 2008-9 Financial Crisis*. The Quarterly Journal of Economics (129:1), pp 1-59.

¹⁸ Which include consumption of goods and services provided by non-formal workers affecting perceived income by this latter group.

¹⁹ For more between human capital depreciation due to unemployment and posterior labor market outcomes, refer to Phelps (1972) y Hargraves-Heap (1980).

²⁰ Preliminary results of the Labor Force Survey (December 2019) reflected a total of 152,640 employed persons distributed among the following industrial groups: Agriculture, Hunting, Forestry & Fishing (800); Mining, Quarrying, Electricity, Gas & Water (1,890); Manufacturing (3,260); Construction (12,910); Wholesale & Retail (22,055); Hotels & Restaurants (30,080); Transport, Storage & Communication (9,410); Financing, Insurance, Real Estate & Other Business Services (10,250); Community, Social & Personal Services (59,495); and 2,490 as "not stated".

²¹ Unemployment benefits extend to insured workers and to uninsured persons who do not qualify for National Insurance benefits.

- 2.9. **Public Health Measures.** As of March 2020, the Government of the Bahamas enacted curfews and mandatory lockdowns to increase social distancing and self-isolation. The *Emergency Powers (COVID-19), Order 1*: i) imposed a mandatory curfew from 9:00pm – 5:00am; ii) suspended all public gatherings of ten (10) or more people; and iii) suspended operations for all institutions, businesses, offices, stores and organizations, with few exceptions for medical facilities, groceries, pharmacies and gas stations. Through the *Emergency Power (COVID-19), Order 2* the Government mandated: i) the closure of all air and sea ports to international travel, except cargo and commercial transit; ii) the closure of all public beaches; iii) restrictions on all domestic travel, and restrictions on road use, restrictions on the use of public transportation, restrictions on visitations to quarantine facilities and/or isolation centers, public hospitals and the like. The *Updated Emergency Order and Exemptions* mandated: i) the closure of all public parks, ii) closure of all street and roadside vendors, iii) further restrictions on operating hours of essential businesses. As of April 14, 2020, the Bahamas is alternating between periods of mandatory curfews on weekdays, and mandatory lockdowns on weekends. During mandatory curfews individuals are permitted to leave their homes for essential services (groceries, pharmaceuticals, or medical care). Although the GoBH has commenced a phased reopening on the economy, this will take place in a gradual and phased approach over the next few months.
- 2.10. **Financial measures to support firms and employees.** The GoBH has approved different measures to help the poor, the vulnerable persons, and those who are no longer employed.²² Specifically, the GoBH has placed focus on:
- 2.11. **Support for firms.** Announced on March 30th 2020 by the Ministry of Finance (MoF), the GoBH is providing tax relief through a ***Tax Credit and Tax Deferral Employment Retention Program*** to provide businesses with payroll support in an effort to retain jobs and prevent employees to become unemployed and fall to a vulnerable category.²³ Per GoBH approved guidelines, business excluded are retail or wholesale grocery, hotel and resorts, regulated financial and insurance entities, regulated telecommunications business and gaming businesses given that these are supported through other government initiatives such as the ones described in paragraph 2.14 for MSMEs. The *Tax Credit and Tax Deferral Employment Retention Program* will provide businesses with payroll support to retain up to 10,000 jobs. It allows businesses to defer payment of certain taxes and benefit from a tax credit up to US\$300,000. Qualifying businesses will apply to the Ministry of Finance and will be able to withhold outstanding business licenses or VAT receipts collected – up to US\$200,000 per month for 3 months. If businesses qualify at the maximum funding level, one half (1/2) of the monthly sum or US\$100,000 will be in the form of non-reimbursable tax credit. The other US\$100,000 will be deferred until January 2021, to be paid back in equal monthly installments over 12 months. Neither the GoBH nor the IDB program transfers any funds to the qualifying business. The *Tax Credit and Tax Deferral Employment Retention Program* considers

²² [Office of the Prime Minister of the Bahamas.](#)

²³ The Governor General declared a public state of emergency and implemented the Emergency Powers (COVID-19) Regulations 2020 on March 17, 2020. The tax credit and tax deferral employment retention program was then approved under the Emergency Powers (COVID-19) Order 2020 and the Emergency Powers (COVID-19) (Special Provisions) Order 2020, which were implemented the Prime Minister on March 20, 2020 and March 30, 2020 respectively. The program started accepting applications in the first half of April 2020.

reimbursement of expenses of the tax expenditures²⁴ by the MoF -- money that the GoBH ceases to receive due to the tax deferral to maintain formal employment levels or minimize layoffs of vulnerable workers. Tax expenditures, understood to be the revenue that is foregone by the application of benefits or special tax regimes, are one of the many tools that governments have available for public policy implementation.

- 2.12. **The Tax Credit and Tax Deferral Employment Retention Program²⁵** is being implemented by the GoBH for businesses with an annual turnover of US\$3 million or more and a minimum of 25 non-executive employees (businesses under US\$3 million can access support through the *Small Business Continuity Loan* program).²⁶ The program started in April and seeks to maintain formal employment levels and minimize layoffs of vulnerable workers²⁷ through the provision of wage subsidies. Eligible firms will commit to retaining 80% of staff levels as of February 29, 2020 levels, through to October 31, 2020; and commit to the utilization of tax credits solely for purposes of covering non-executive payroll.^{28 29 30}
- 2.13. **Eligibility requirements to participate in the *Tax Deferral Employment Retention Program*.** Qualifying businesses will provide payroll cost, which will determine the amount for Approved Tax Relief (ATR) for 3 months, the qualifying period (QP). To accomplish this the taxpayer must provide: i) copy of the recent Final Statement or at last at December 31, 2019 referenced by a certified accountant to document annual sales; ii) copy of their non--management payrolls for the month of February 2020; iii) copy of banking information in support of their payroll cost; iv) a copy of NIB returns for that month; v) a payroll showing the breakdown by employee categories; vi) evidence that the number of employees is equal to or > 25; vii) a declaration that 80% of the workforce will be retained through to October 31, 2020 (declaration included with the application form); and viii) evidence of the monthly payments made and received by the employees in the correspondent payroll. If the payroll cost is greater than US\$200K in any given month within the qualifying period, the ATR provided will not exceed US\$200K for that month, to a maximum of US\$600K over the qualifying period. If the payroll cost is less than US\$200K per month within the qualifying period, the approved tax relief will be equivalent to the payroll.³¹
- 2.14. **Through the Small Business Development Center, the GoBH is providing loans to micro, small and medium sized enterprises (MSMEs)** for working capital to help overcome the temporary loss of revenue. *The Business Continuity Loan Program* will provide loans to small businesses, ranging from US\$5,000 to US\$300,000 to cover

²⁴ [Tax expenditures budgets: Concepts and challenges for implementation](#) / Luiz Villela, Andrea Lemgruber y Michael Jorratt. p. cm. (IDB working paper series; 131. 2010)

²⁵ For further program details, see official guidelines in link: [Department of Inland Revenue](#).

²⁶ Firms in other industries as well as smaller firms (MSMEs) will be supported through other programs such as the Business Continuity Loan Program described in 3.10(b).

²⁷ Workers in the formal sector are vulnerable to unemployment through different mechanisms. First, they lose the opportunity to sustain and keep developing their work skills causing a depreciation in human capital and affecting posterior income.

²⁸ Executive payroll will be the payroll of persons who hold positions of a Proprietor, President, Vice President, Director, or similar Job Title level.

²⁹ [Department of Inland Revenue](#).

³⁰ Current approved program will go through July 2020. If the program is continued or expanded, it will be covered by government funds given that IDB funds will only cover 3 months of the Qualifying Period (QP).

³¹ Firms would have to make adequate application for concession and provide evidence of February 2020 employment levels and a verifiable plan on use of proceeds of tax deferral.

operating costs with consideration for salaries, rent, insurance, utilities and inventory included.³²

- 2.15. **Support for employees.** Through the National Insurance Board, the GoBH is providing:
- **Sickness benefits** for persons who contract COVID-19. Covering 60% of the individual's average weekly wage for the period of illness, up to a maximum of 26 weeks.
 - **Sickness benefits** for persons who are **quarantined** because of exposure or suspected exposure to COVID-19. Covering 60% of the individual's average weekly wage for the period of illness, up to a maximum of 26 weeks.
 - **Unemployment benefits** for person who are temporarily laid off because of the economic impacts of COVID-19, 50% of the individual's average insurable weekly wage for a maximum of 13 weeks.
 - **Unemployment benefits for self-employed persons** working in the tourism sector, such as straw vendors, tour operators, jet-ski operators, who do not usually qualify for National Insurance unemployment benefits.
- 2.16. Through the Ministry of Social Services, the GoBH will provide rent assistance and food stamps. Food stamps will be provided for eight weeks in the amount of US\$100 every second week for persons within the hospitality industry who experience reduced work weeks. Additionally, the Government has requested that all public and private utilities temporarily suspend disconnections for customers with past due balances.
- 2.17. **Rationale and strategy.** To offset loss of income and protect employment as a result of social distancing measures to respond to COVID-19, it is important to have policies that directly address the effects on the labor market, which would reduce the loss of jobs and lead to both a loss of productivity and delayed economic recovery. In response to the crisis, the labor market can adapt by adjusting the number of formal jobs (increasing unemployment and informality of employment) or by adjusting wages (due to a drop in labor income). It is difficult to anticipate what type of adjustment will prevail in the Bahamas. This will depend on the economic sectors affected. In any case, it is very important to address, to some extent, these two margins. In principle, programs that protect jobs and discourage layoffs are important to minimize long-term unemployment and avoid potential drop-offs in labor productivity if employers are forced to implement mass layoffs. Programs to support labor demand such as wage subsidies seek to maintain formal employment levels and/or promote the formal recruitment of certain vulnerable groups. They may be of two types: (i) direct transfers to enterprises; or (ii) reduction of non-wage labors costs such as postponement in social security contributions or tax deductions/credits/deferrals which is the focus of the *Tax Credit and Tax Deferral Employment Retention Program* in The Bahamas. If the program was not implemented, these selected sectors would be at risk of losing up to 8,974 jobs, as companies are forced to lay off workers to face fixed costs in the face of lower revenues. For program details see paragraph 2.11 – 2.13.
- 2.18. **The Bank's experience and lessons learned.** The bank has experience supporting both active and passive labor market policies through investment projects and technical assistance. Part of the technical assistance has materialized in the development of the

³² [Access Accelerator](#).

Network to Employment Services in Latin American and the Caribbean ([RED SEALC](#)).³³ Support to projects includes promoting policies that aim to help persons looking for employment find a job through intermediation services (which pair job seekers with vacancies), orientation, and training; and passive policies, such as subsidies or insurance, which aim to smooth the consumption levels of the unemployed and improve pairings by providing more time for job search activities. There is evidence about the effectiveness of labor subsidies that operate at firm-level to reduce the number of dismissals and the probability of enterprises' failure because of the lack of liquidity, contributing to faster economic recovery and lower employment loss. In Mexico, a wage subsidy program showed a positive effect on employment recovery only after the economic crisis suggesting that the program may have provided liquidity for hiring back workers.³⁴ During the crisis period, these policies can be combined to mitigate both the immediate effects as well as the subsequent effects after the crisis. Programs can be oriented towards supporting labor demand to prevent dismissals and indefinite closings of businesses. These include shared employment programs and subsidies by way of salary reductions by the employer or the postponement of social contributions or taxes, mechanisms that have been included in the design of this project. The evidence on these types of support indicate that they can be effective during crisis periods in maintaining formal employment levels (Kapteyn, Kalwij, and Zaidi 2000; Banerji et al. 2009). The labor policies will bolster the recovery process, with the aim of ensuring that the minimum number of formal sector jobs are lost during the crisis.

- 2.19. **Coordination with other multilaterals and/or donor agencies.** The Bank has prioritized the coordination with other international organizations to ensure this intervention is consistent with their support to the GoBH's response to COVID-19. The GoBH is planning on borrowing US\$1.02 billion in FY2020/21 from multilateral agencies to face the socioeconomic consequences of COVID-19.³⁵ In the area of fiscal and macroeconomic support, the Bank is coordinating with the IMF, which approved a US\$250 Rapid Financing Instrument to support the response to COVID-19 in June 2020. In the area of health, the Bank is preparing an investment loan to support the health sector, which is expected to be approved the last quarter of 2020 and it has coordinated with regional entities, following the guidelines of the World Health Organization and Pan American Health Organization. In the social sector, the Bank is aligned to the ECLAC's assessments, and the proposals presented herein are consistent with the goal of protecting the most vulnerable from COVID-19, supporting the necessary health measures to deal with the pandemic and promoting economic recovery in the medium term. The Bank has also been coordinating with the World Association of Public Service Employees (WAPES) to assess the main obstacles these services are facing during the crisis and obtain information on the employment measures developed countries have been taking. Through this operation, the Bank is the only multilateral organization working in the labor market as a response to COVID-19, providing protection for the vulnerable population not on the rosters of transfer programs, working in the formal sector through subsidies to formal sector enterprises.

³³ <https://www.iadb.org/en/topics/labor-and-pensions/redsealc/home%2C18644.html>

³⁴ Bruhn, M. (2020). Can wage subsidies boost employment in the wake of an economic crisis? Evidence from Mexico. *The Journal of Development Studies*, 1-20.

³⁵ This includes US\$250 from the IMF, US\$300 million in PBL support from IDB, US\$350 million in MIGA guaranteed loans, US\$80 million in an IDB energy loan and US\$40 million in an IDB health loan.

- 2.20. **Strategic alignment.** The reformulated program is consistent with the second Update to the Institutional Strategy (document AB-3190-2) and aligned with the challenge of (i) Productivity and Innovation, through actions to maintain employment levels and preserve human capital. The program will contribute to the Corporate Results Framework 2020-2023 (document GN-2727-12) through the following indicators: beneficiaries of employment support initiatives. The program is aligned with the Strategy on Social Policy for Equity and Productivity (document GN-2588-4) in the areas of enhancing equity and supporting vulnerable populations. It is also consistent with the Social Protection and Poverty Sector Framework Document (document GN-2784-7), which underscores the importance of supporting vulnerable populations, particularly from external shocks, through responsive social protection policies, and with the Labor Sector Framework Document (document GN-2741-7) through the following dimension of success: (i) the region's citizens have more, and more equitable, opportunities to access formal jobs with better wage expectations. This program is consistent with the Proposal for the IDB Group's Governance Response to the COVID-19 Pandemic Outbreak (document GN-2996).

B. Objectives and components

- 2.21. **Objectives.** This reformulated proposal modifies the main objective of the Skills for Current and Future Jobs in The Bahamas. The general development objective of the reformulated program is to contribute to ensuring minimum levels of quality of life for vulnerable persons³⁶ amid the crisis caused by COVID-19. The specific objective is to support formal employment levels in specific industries³⁷ affected by the coronavirus in the immediate period.
- 2.22. **The reformulated operation will have a single component. Protection for the vulnerable population not on the rosters of transfer programs, working in the formal sector (US\$19,358,464).** The component will finance actions to shield formal sector jobs. Specifically, the operation 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/deferrals, and target the sectors hit by the crisis. They will be administered by the MoF through a *Tax Credit and Tax Deferral Employment Retention Program* (as described in paragraphs 2.11, 2.12 and 2.13). Tax expenditures^{38 39} by the MoF are understood to be the money that the GoBH ceases to receive due to the tax deferral to maintain formal employment levels or minimize layoffs of vulnerable workers.
- 2.23. **Program administration (US\$155,000).** Financing for program administration covers the execution costs incurred by the executing agency to carry out the audit for the program, hire a Financial Specialist and a firm to carry out a new round of the LFS. Due to COVID-19 and natural disasters, the collection of data has become a key challenge

³⁶ Workers in the formal sector of companies that are vulnerable due to the potential lack of liquidity in the face of the economic crisis.

³⁷ Per GoBH approved guidelines, business excluded are retail or wholesale grocery, hotel and resorts, regulated financial and insurance entities, regulated telecommunications business and gaming businesses given that these are supported through other government initiatives.

³⁸ Tax expenditures, understood to be the revenue that is foregone by the application of benefits or special tax regimes, are one of the many tools that governments have available for public policy implementation.

³⁹ [Tax expenditures budgets: Concepts and challenges for implementation](#) / Luiz Villela, Andrea Lemgruber y Michael Jorratt. p. cm. (IDB working paper series; 131. 2010)

for the country. The Bank will thus support the generation of statistics via a phone or online round of the LFS, as well a revision of the sampling used for the LFS to improve its design. Overall and sector employment figures will be obtained through a new round of the LFS. For further details about the LFS, please see paragraph 2.34.

- 2.24. **Beneficiaries.** The actions proposed in this operation will directly benefit formal enterprises in specific industries⁴⁰ affected by a potential loss of employment due to COVID-19. We thus expect 6,503 individuals from these target firms to benefit from IDB funds and preserve their jobs,^{41 42} based on the information of enterprises that have applied to the program. This is 10 percent of the potential pool of 64,925 workers currently working in the following industries: agriculture, hunting, forestry and fishery; mining, quarrying, electricity, gas and water; manufacturing; construction; transport, storage and communication.⁴³ As of May 25th, 2020, 53 firms have been approved for the *Tax Deferral Employment Retention Program*. The average declared turnover amounts to US\$16,313,220.77 and the average number of employees per firm is 102 with an average wage of US\$2,240.54. The size of these firms varies greatly, the smallest declared turnover is US\$45,000 and the highest US\$174,414,859. Total employees amount to 7,072. The total approved tax relief is US\$6,638,961.13 *per month*. The beneficiaries of these actions can thus be identified via the administrative records of the NIB and the Department of Inland Revenue (DIR) of the MoF.

C. Key results indicators

- 2.25. **Expected outcomes.** The program will contribute to ensuring minimum levels of quality of life for formal workers amid the crisis caused by COVID 19. The main expected outcome is to support 80% of post-crisis total employment in the specific industries of the formal sector supported by the program compared with pre-crisis total employment in those industries. Specifically, the program seeks to maintain formal employment levels in specific industries affected by the coronavirus in the immediate period and during the recovery. The single component of the program will be measured by the following indicators: (i) number of unemployment claims filed by individuals previously working in the participating firms during a period of twelve months; (ii) total (*short-term*) employment three months after the social distancing period at formal sector enterprises supported by the program compared with pre-crisis total employment within those enterprises; and, (iii) total (*medium-term*) employment twelve months after the social distancing period at formal sector enterprises supported by the program compared with pre-crisis total employment within those enterprises.

⁴⁰ Per GoBH approved guidelines, business excluded are retail or wholesale grocery, hotel and resorts, regulated financial and insurance entities, regulated telecommunications business and gaming businesses. For making calculation, the team used the information from the Bureau of Statistics considering the following equivalent industries as excluded by the program: wholesale and retail, hotels and restaurants (50% in order to account for restaurants), financing, insurance, real estate and other business services (50% as not all business services are excluded from the GoBH's restrictions) and community, social and personal services.

⁴¹ Assuming an average firm size of 25 employees (the lower bound threshold).

⁴² This is the estimated number of workers that the program is able to support taking into account an average weekly wage of BH\$417.00 (data for New Providence- Occupations and Wages Report, 2018) and a 100% wage subsidy for three months. Other administrative costs will be covered by the GoBH directly.

⁴³ According to the LFS of the second semester 2019, there are 30,760 employees or 33.36% of the occupied population working in the selected industries mentioned in the previous footnote.

- 2.26. **Economic viability.** The economic rationale for the proposed actions is based on the protection of livelihoods for sectors of the population who are at risk of losing their employment as a result of COVID-19 in selected industries. Income compensation for poor and vulnerable people amid the COVID-19 crisis will reinforce health measures and help families maintain minimum levels of wellbeing. Labor policies will help drive the recovery, by protecting jobs in the formal sector, as much as possible, during the crisis and ensuring that vulnerable populations are able to transition into the job market during the recovery. Based on the foregoing, a cost-benefit analysis (using a 5% discount rate as suggested by a technical rationale) was conducted in which a net present value (NPV) of US\$15.9 million with a TIR of 10% was estimated in the base case scenario, suggesting that the set of proposed actions are economically beneficial. A sensitivity analysis using a discount rate of 12% was included. The analysis also suggests that the sooner the reproduction number is reduced, the greater the cost-benefit ratio will be, in as much as the effects on household income and interruptions to the school year will be lessened.

D. Costs

- 2.27. The total cost of the reformulated program is US\$19,513,464 solely financed with the resources of the ordinary capital of the Bank. The financial terms and conditions of the Bank financing for the original operation will remain the same. An estimate of the breakdown of the reformulated program costs is given in Table 1.

Table 1: Program Costs and Financing (US\$ thousands)

Components	IDB	Total	%
Component 1. Protection for the vulnerable population not on the rosters of transfer programs, working in the formal sector.	19,358	19,358	99.2
Administration or other contingencies ⁴⁴	155	155	0.8
Total	19,513	19,513	100

- 2.28. It is expected that the implementation of activities under the reformulated proposal will be 12 months. The qualifying period for the *Tax Deferral Employment Retention Program* will expire 3Q of 2020 and program funds will have been fully disbursed by the end of 3Q 2020. In 4Q of 2020, the approved firms will provide evidence of their payrolls confirming they have kept 80% of staff levels as of February 29, 2020 levels, through to October 31, 2020. The program audit described in paragraph 2.41 will verify the submission of payroll through October 31, 2020.

E. Environmental and social risks

- 2.29. Under the OP-703, the proposed reformulation is classified as Category “C” since these activities are likely to cause minimal or no negative environmental and associated social impacts. It should be noted that Category “C” operations do not require an environmental or social analysis beyond the screening and scoping analysis for determining the classification. The cancellation of the activities under the Original Loan Agreement are not deemed to cause or trigger any environmental and social liabilities.

⁴⁴ The loan will fund the Bahamas (COVID-19) Labor Force Survey, which will assess the impacts of the COVID-19 pandemic on households' wellbeing. It will produce information about the effects of the crisis on employment, income and consumption, and will also probe on the households' coping strategies.

F. Fiduciary risks

- 2.30. Based on IDB's Institutional Capacity Assessment of the Ministry of Finance made in 2019 for the preparation the Reconstruction with Resilience in the Energy Sector in the Bahamas (4978/OC-BH) and CCLIP Advancing RE in Bahamas (BH-O0006), the fiduciary risk to the reformulated operation is "medium". To avoid delays in financial reporting due to absence of a proper accounting system and limitations in personnel applying IDB financial management policies and procedures, the Department of Inland Revenue will: i) hire a Financial Management (FM) Consultant under the Department of Inland Revenue of the Ministry of Finance,⁴⁵ and ii) implement an auxiliary accounting system for preparing financial reports related to program expenditures and consolidate all financial IDB program information and reporting (e.g. QuickBooks or similar). With the implementation of these activities and applying the mitigation actions the fiduciary risk will evolve to "low". The Bank will offer progressive financial management training for the Inland Revenue staff managing the program.
- 2.31. Further to the proposed action, the MoF brings program management knowledge and familiarity with IDB policies and loan operations through the implementation of the: Performance Monitoring and Public Financial Management Reform (3340/OC-BH), Contingent Credit Facility for Natural Disaster Emergencies-CCF (4853/OC-BH) and the Reconstruction with Resilience in the Energy Sector in The Bahamas (4978/OC-BH). Given the Bank's work with the MoF in The Bahamas, significant risks that could affect execution have not been detected as the Ministry has sufficient capacity to execute the program and therefore presents a low risk in implementing and monitoring the systems included in the evaluation.

G. Other key risks and issues

- 2.32. There is a risk of undersubscription in the number of firms applying to the program. Between March 23 and May 15 the government paid US\$6.2 million and processed 6,105 claims to government funded unemployment assistance for self-employed persons affected by COVID-19; and paid US\$28.7 million, processing 26,185 claims, for ordinary unemployment benefits.⁴⁶ Comparatively, the NIB received 8,977 unemployment claims in 2019. If a significant percentage of businesses that qualify for the Tax Credit and Deferral Program have suspended or terminated operations, there may be an undersubscription in the number of firms applying to the program, resulting in delays in disbursements of program resources. To mitigate against this risk, the Executing Agency will directly engage qualifying firms to explain the benefits of the program and the approval process.
- 2.33. **Conducting a round of the Labor Force Survey over the phone.** As highlighted in paragraph 2.5, accurate and representative data will be essential to assess the impact of COVID-19 and the GoBH's response measures on the labor market. To support GoBH efforts to better deploy employment policies, the program will support the financing of a round of the Labor Force Survey over the phone in the COVID-19 context to collect relevant data on the labor market. Phone and online surveys are being used during the pandemic to obtain key information and data on person's livelihoods and

⁴⁵ US\$50,000 have been allocated under "administration" to fund the hiring of the Financial Management consultant.

⁴⁶ <https://www.nib-bahamas.com/UserFiles/HTML/Editor/Covid-19Dashboard.pdf>.

wellbeing whilst the pandemic outbreak takes place, as persons cannot physically visit houses to conduct surveys. The survey results will provide fundamental information of the impact COVID-19 has had on the labor market which will be useful for the monitoring of the effect of the intervention. For example, the IDB conducted an online survey on the effects of COVID-19 on households in April 2020 and was able to obtain results by May 2020.⁴⁷ The Bank is also conducting phone surveys for a follow up of the 2016/2017 Barbados Standard of Living Conditions (BSLC) Survey and will thus have data on the impact of the pandemic on a representative panel of households by June 2020. These data collection methods have proven to be faster and cheaper than traditional in-person survey collection and have been the only source of household data during the pandemic. The same firm was used as the one that conducted the original BSLC 2016/2017 survey, which also reduced the time and cost relating to the questionnaire adaptation and familiarization with the country's context.⁴⁸

- 2.34. **Sustainability.** This operation supports the efforts of the GoBH to respond to the pandemic and mitigate the economic impact on the population. The loan represents a fraction of the fiscal, financial and social measures being rolled out the country, which is determined to assume economic costs to save lives, as well as advance an inclusive recovery once the emergency has been contained. In the short term, the program will contribute to a reduction in the loss of jobs, which will be widespread in the Bahamas due to the sudden stop in key sectors for employment. In the medium and long term, the employment protection that this program is fostering will contribute to preserving the overall level of productivity and the labor base that will be key to foster economic growth.

H. Summary of implementation arrangements

- 2.35 **Borrower and executing agency.** The borrower is the Commonwealth of The Bahamas and the Executing Agency is the Ministry of Finance.
- 2.36 **Execution.** Within the Executing Agency, the Financial Secretary will provide strategic direction and technical oversight to the program while the Department of Inland Revenue (DIR) will be responsible for the execution of the program, including the submission of financial reports and audits. The program will be administered by the Department of Inland Revenue's current structure within the Ministry of Finance.⁴⁹
- 2.37 **Program implementation.** The program will follow the guidance set forth for business qualifying for the Tax Credit & Tax Deferral relief under the Employment Retention Program,⁵⁰ which will regulate the use of program resources, and require the following information for disbursements: a) eligible firms will present evidence of February 2020 Payroll; b) the Executing Agency will present number of employees that benefit from the program, with confirmation that they have retained their employment after the three months (the qualifying period - QP) including payment confirmation of payroll

⁴⁷ <https://blogs.iadb.org/caribbean-dev-trends/en/>

⁴⁸ Revising, adapting, and conducting the Labor Force Survey by phone in The Bahamas would require an estimated 4 months of work and cost approximately US\$100,000.

⁴⁹ https://atlas.revenue.gov.bs/users/sign_in

⁵⁰ <https://inlandrevenue.finance.gov.bs/covid-19-tax-credit-deferral/>

- 2.38. **Recognition of expenses.** Given the short duration of the implementation of the program from April to July 2020 (four months),⁵¹ the nature of IDB funding and the approval timeline requires that expenses for two months covering May and June 2020 be recognized as eligible expenses. The Bank may recognize "Expenses incurred prior to the term of the Amendatory Contract" as eligible expenses made by the borrower prior to the reformulation approval date for subsidies representing up to 68% of the proposed reoriented loan amount up to US\$13,3M, provided that requirements substantially similar to those established in the amendatory loan contract were met. Such expenses must have been made on or after March 30, 2020 when the GoBH made Tax Credit and Tax Deferral Employment Retention Program available after the WHO declared COVID-19 a global health emergency and after the GoBH declared public state of emergency.⁵² As of 26 May 2020, the Tax Credit and Tax Deferral Employment Retention Program has approved a total of US\$6,6M for 53 firms benefiting 6,503 employees (corresponds to one-month payroll costs benefits).⁵³ The eligible expenses cover two months of payroll subsidy amount (May & June).⁵⁴ Even though this predates the official reformulation request, authorization of the reimbursement of expenses on an exceptional basis is justified, given the circumstances surrounding the global emergency.
- 2.39. **Procurement.** Procurement processes financed in whole or part with Bank funds will be conducted in accordance with the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (document GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15). The supervision will be **ex-ante**.
- 2.40. A Financial Specialist will be hired through sole-source selection based on paragraph 5.4 (b) of the GN-2350-15 which establishes that individual consultants may be selected on a sole-source basis for assignments with a total expected duration of less than six months.
- 2.41. The firm *Sistemas Integrales* may be hired through single-source selection to conduct the Bahamas COVID-19 Survey and provide technical assistance to the Bahamas Department of Statistics to enhance the design and implementation of the Labor Force Survey. This firm is specialized in household surveys and has ample experience working with a large pool of donor organizations, including the World Bank and the IDB. The firm has a strong track record of work in the Caribbean, having been hired by the IDB for the Barbados Standard of Living Survey in Barbados 2016/17, the Guyana Labor Force Survey 2017 and the Suriname Standard of Living Survey 2017. More recently, the company has gained experience conducting phone surveys to assess the impact of COVID-19 in Barbados with the Bank, which is essential to the proposed activity. In addition, a partner of the firm was hired by the Ministry of Finance to conduct an audit of The Bahamas Labor Force Survey in November 2019, funded under the program "The

⁵¹ The MoF has confirmed that the program has been extended from the original 3-month qualifying period (April, May, and June) to an additional month covering July.

⁵² On March 11, 2020, the World Health Organization classified the global spread of COVID-19 as a pandemic and on March 13, 2020, The Bahamas recorded its first case of the virus. In response, the governor general declared a public state of emergency and implemented the Emergency Powers (COVID-19) Regulations 2020 on March 17, 2020.

⁵³ Approved Tax Relief (ATR) to cover a qualifying period (QP) of 3-months.

⁵⁴ The GoBH has confirmed that the Tax Credit and Tax Deferral Employment Retention Program will be extended to cover the month of July 2020. The remaining IDB funds (32%) will be made available as a regular disbursement once the operation is approved to cover the costs pertaining to July 2020.

Bahamas Public Financial Management and Performance Monitoring Reform (3340/OC-BH)" Component 2. Considering that the firm has experience of exceptional worth for the assignment and that the estimated cost of the contract is US\$100,000, the use of the single-source selection method is justified on paragraphs 3.11 (c) and (d) of the GN-2350-15.

- 2.42. **Disbursements.** As requested by the borrower, disbursements will be made mainly through reimbursement of expenses, Nevertheless advances of funds based on liquidity needs, and supporting justification for advances could be provided pursuant to the provisions of the Financial Management Guidelines for IDB-financed Projects (document OP-273-12) or the guidelines in effect at the time of program execution, and the Fiduciary Agreements and Requirements (Annex III). The disbursement review will be **ex-post**.
- 2.43. **Audit.** The Borrower will produce, semi annual preliminary and Annual Reasonable Assurance Engagement Audit of the program, which will be submitted to the Bank within 90 days after each semester and 120 days following the end of each fiscal year of the Borrower (EA), which will be submitted within 120 days following the date of the last disbursement of the loan. The Reasonable Assurance Engagement Audit will be carried out, preferably by the Office of the Auditor General of The Bahamas or by an eligible External Audit Firm.

I. **Summary of arrangements for monitoring results**

- 2.44. **Monitoring.** The executing agency will be responsible for implementing the monitoring and evaluation plan. Considering the crisis, the main monitoring tools for this program will be the results matrix. The main sources of information for monitoring the impact, outcome, and output indicators will be administrative records from the NIB and the Department of Inland Revenue. The executing agency will prepare execution plans as soon as the situation has stabilized. The main reporting tool will be the progress monitoring report, which will use the program's annual and semiannual reports as its main sources of information.
- 2.45. **Evaluation.** Given the nature of this operation, program evaluation will assess the program's contribution to the specific program objectives to support employment levels in selected industries in the formal sector for those affected by the coronavirus in the immediate period and during the recovery. To that end, a "before and after" analysis will be performed, using administrative records from the DIR. For the purpose of attributing the observed results to program interventions, the quantitative analysis will be supplemented with a review of the theory of change supported by relevant evidence of the effectiveness of similar interventions in comparable contexts. Additionally, a representative survey will be implemented to ensure the continuity of the Labor Force Survey and obtaining information about employment (Bahamas COVID-19 Survey).⁵⁵ It will produce information about the effects of the crisis on employment, income and consumption, and will also probe on the households' coping strategies and it will allow an assessment of the impacts of the COVID-19 pandemic on households' wellbeing.

⁵⁵ The survey will be nationally representative and will be based on an RDD (Random Digit Dialing) probability sample of phone numbers across the entire territory of the Bahamas. To maximize population coverage, the sample will be selected out of a dual frame composed of all possible landline and mobile numbers in the country, generated in accordance with the current Bahamas numbering plan.

III. RECOMMENDATION

- 3.1. Based on the information and analysis presented in this document, it is recommended that the Board of Executive Directors of the Inter-American Development Bank approves by Short Procedure, pursuant to paragraph 6 of document CS-3953-4 (List of matters that can be considered by the Board via Short Procedure), this reformulation proposal, in the terms and conditions described in this document.

Development Effectiveness Matrix		
Summary		BH-L1037
I. Corporate and Country Priorities		
1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Beneficiaries of employment support initiatives (#) -Jobs supported (#) -Micro / small / medium enterprises financed (#)	
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix		The intervention is not included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		section III.A (paragraph 3.11)
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.6
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		3.0
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		1.0
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		7.0
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		4.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Low
Identified risks have been rated for magnitude and likelihood		
Mitigation measures have been identified for major risks		
Mitigation measures have indicators for tracking their implementation		
Environmental & social risk classification		C
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control, Internal Audit. Procurement: Information System.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

Note: (*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

Evaluability Note:

The reformulation proposal of the Skills for Current and Future Jobs in Bahamas for Current and Future Jobs in the Bahamas (BH-L1037;3787/OC-BH), proposes the reorientation of USD19,513.464 million to finance the "Support to Vulnerable Populations Through the Tax Credit and Tax Deferral Employment Retention Program in Industries Affected by the Coronavirus" in the Bahamas. The project is part of the Bank's operational response to the COVID-19 Pandemic and its general objective is to contribute to ensuring minimum levels of quality of life for vulnerable persons amid the crisis caused by COVID-19. The specific objective is to support formal employment levels in specific industries affected by the coronavirus in the immediate period. The reformulated operation will have on single component: Protection for the vulnerable population not on the rosters of transfer programs, working in the formal sector.

The reformulation proposal presents a solid diagnosis of the problem, as well as a review of international evidence. The proposed solutions are appropriate to respond to the identified problems and their contributing factors. The results matrix is consistent with the vertical logic of the project, presenting adequate indicators at the level of results and impacts. The outcome indicators are appropriately defined to measure the achievements of the project's specific objectives. The impact indicator reflects the contribution to the general objective.

The economic evaluation considers the economic efficiency of one single component. The results of the cost-benefit analysis show that the operation is efficient with an NPV of USD16.4million and a benefit-cost ratio of 1.36. Sensitivity analyses are appropriate.

The monitoring and evaluation plan proposes to carry out a reflective analysis of the outcome indicators included in the result matrix as well as an analysis of the theory of change, an updated review of international evidence and qualitative studies to establish the attribution of the observed results to the program's interventions.

INDICATIVE RESULTS MATRIX FOR BH-L1037; 3787/OC-BH

PROJECT OBJECTIVE:	The general development objective of the reformulated programme is to contribute to ensuring minimum levels of quality of life for vulnerable persons ¹ amid the crisis caused by COVID-19. The specific objective is to support formal employment levels in specific industries ² affected by the coronavirus in the immediate period.
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EXPECTED IMPACT

Indicators	Unit of measure	Baseline	Baseline year	Final target	Means of verification	Comments
General development objective: To contribute to ensuring minimum levels of quality of life for formal workers amid the crisis caused by COVID-19						

¹ Workers in the formal sector of companies that are vulnerable due to the potential lack of liquidity in the face of the economic crisis.

² Per GoBH approved guidelines, business excluded are retail or wholesale grocery, hotel and resorts, regulated financial and insurance entities, regulated telecommunications business and gaming businesses. For making calculation, the team used the information from the Bureau of Statistics considering the following equivalent industries as excluded by the program: wholesale and retail, hotels and restaurants, financing, insurance, real estate and other business services and community, social and personal services.

Indicators	Unit of measure	Baseline	Baseline year	Final target	Means of verification	Comments
1.1 Postcrisis total employment at formal sector in the specific industries supported by the project compared with pre-crisis total employment at those industries	Percentage	(214,890– May 2019 / 208,255 - May 18) *100= 103%	2019	172,129 - May 20/214,890- May 19=80.1 %	Labour Force Survey, Bahamas Bureau of Statistics	<p>Baseline: In May 2019, employment in the country reached 214, 890 workers. From August to September 2019, the Bahamas suffered the impact of Hurricane Dorian, which did not allow for the LFS to be implemented in Grand Bahama and Abaco. According to our own estimates, employment in the Bahamas for December 2019 would have reached 194, 605 individuals approximately. 33.36% of which work in the highlighted industries. This is 64,925 persons employed in the selected industries.</p> <p>Numerator: Postcrisis total employment at formal sector enterprises in the eligible industries.</p> <p>Denominator: Pre-crisis total employment at formal sector enterprises in the eligible industries.</p> <p>Formula: Total employment post-crisis / Total employment pre-crisis*100</p> <p>Target: Between March and April 2020, the NIB received 27,870 unemployment claims, compared to 973 claims received in the same period of 2019. Our estimate is that 8,974 of those will be from the selected industries. If the project succeeds in retaining 70% of the workforce from selected industries (4,552 beneficiaries), we expect that only 4,421 workers would become unemployed. Expected employment in 2020 would be around 172,129 individuals.</p>

EXPECTED OUTCOMES

[illegible]

Indicator	Unit of measure	Baseline	Baseline year	2020	2021	2022	Final target	Means of verification	Comments ²
1.1 Number of unemployment claims filed from individuals previously working in the participating industries during a period of twelve months	Number of forms	0	2019	4,421	-	-	4,421	Administrative records from the National Insurance Board (NIB)	Baseline: 0 as the project has not been implemented yet. Target, Based on NIB's estimations, 27,870 unemployment claims are expected due to COVID-19. We estimate that 8,974 refer to the selected industries. Due to the project we expect that at least 70% of the beneficiaries (or 4,552 workers) will maintain their jobs at the end of the year. This translated into an expected number of 4,421 of claims.

Indicator	Unit of measure	Baseline	Baseline year	2020	2021	2022	Final target	Means of verification	Comments ²
1.2 Total (short-term) employment three months after the social distancing period at formal sector enterprises supported by the project compared with precrisis total employment at those enterprises	Percentage	0	2020	80%	-	-	80%	Administrative records from the Department of Inland Revenue	<p>Numerator: Total pre-crisis employment at the participating enterprises.</p> <p>Denominator: Total employment three months after the social distancing period ends at the participating enterprises.</p> <p>Formula: $(\text{Numerator}/\text{denominator}) * 100$</p> <p>Baseline: 0 as the project has not been implemented yet.</p> <p>Target: Per GoBH's requirements, enterprises are required to retain 80% of their workforce through October 31st.⁴ Depending on the social distancing ending date, this indicator could measure the effect of a shorter or longer period. We assume similar effects in both cases.</p> <p>M&E: As part of the assignment of resources process, enterprises are required to inform this number in a form. Department of Inland Revenue will extract and collect this information from the forms and report it to the Bank.</p>

⁴ <https://inlandrevenue.finance.gov.bs/wp-content/uploads/2020/04/A-TAX-RELIEF-GUIDANCE-FOR-BUSINESSES-2.pdf>

Indicator	Unit of measure	Baseline	Baseline year	2020	2021	2022	Final target	Means of verification	Comments ²
1.3 Total (medium-term) employment <u>twelve months</u> after the social distancing period at formal sector enterprises supported by the project compared with precrisis total employment at those enterprises	Percentage	0	2020	64%	-	-	64%	Administrative records from the Department of Inland Revenue	<p>Numerator: Total precrisis employment at the participating enterprises.</p> <p>Denominator: Total employment <u>twelve months</u> after the social distancing period ends at the participating enterprises.</p> <p>Formula: (Numerator/denominator) *100</p> <p>Baseline: 0 as the project has not been implemented yet.</p> <p>Target: Per GoBH's requirements, enterprises are required to retain 80% of their workforce through October 31st. We assume that this effect will decrease at least 20% after one year.</p> <p>M&E: As part of the assignment of resources process, enterprises are required to inform this number in a form. Department of Inland Revenue will extract and collect this information from the forms and report it to the Bank</p>

OUTPUTS

Output	Unit of measure	Baseline	Baseline year	Year 1	Year 2	Year 3	Final target	Means of verification	Comments ⁵
Component 1: Protection for the vulnerable population not on the rolls of transfer programs, working in the formal sector									
1.1 Companies that receive workforce subsidies to workers during the IDB project	Number	0	2020	53	-	-	53	DIR administrative records	Baseline: 0 as the program is not implemented yet. Target: 53 firms have been approved according to the information provided by the DIR.
1.2 Average of the staff levels of the participating enterprises in October 31 st , 2020 as compared to the staff levels reported when selected in the program	Percentage	0	2020	80%	-	-	80%	DIR administrative records	Baseline: 0 as the program is not implemented yet. Formula: $\frac{\sum_{i=1}^n Staff_{oct}}{\sum_{i=1}^n Staff_{start}} * 100$ Target: As requested by the government, enterprises are required to retain 80% of staff levels through October 31 st 2020. M&E: To understand the relation of the product indicator with results indicator 1.2, please consult section b of the Plan of Monitoring and Evaluation.

⁵ If the indicator (impact, outcome and/or output) satisfies the Pro Gender criteria, please write "Pro Gender" in this column. If the indicator satisfies the Gender Tracking criteria, please write "Gender Tracking" in this column. If the indicator satisfies the Ethnicity Tracking criteria, please write "Ethnicity Tracking" in this column. These definitions are available in the [DEM toolkit](#).

Country: Bahamas

Sector: SCL

Project Number: BH-L1037

Year: 2020

Co-financing: Not applicable

Co-execution: Not applicable

Fiduciary Agreements and Requirements

Executing Agency: Ministry of Finance

Project Name: Support for Vulnerable Populations affected by Coronavirus

I. Executing Agency Fiduciary Context

1. Use of Country System in the Project¹

Budget	<input checked="" type="checkbox"/>	Reporting	<input type="checkbox"/>	Information System	<input type="checkbox"/>	National Competitive Bidding (NCB)	<input type="checkbox"/>
Treasury	<input checked="" type="checkbox"/>	Internal Audit	<input checked="" type="checkbox"/>	Price Comparison	<input type="checkbox"/>	Advanced NCB	<input type="checkbox"/>
Accounting	<input checked="" type="checkbox"/>	External Control	<input type="checkbox"/>	Individual Consultancy	<input type="checkbox"/>	Consultancy Firm	<input type="checkbox"/>

Applicable National Laws: N/A

2. Executing Agency Fiduciary Capacity

The evaluation of the fiduciary capacity² of the Executing Agency is Medium. To avoid delays in IDB accounting and financial reporting a financial consultant will be hired by the executing agency and will be responsible for processing all accounting records and preparing financial reports to be submitted to the Bank in a timely manner by the EA. Furthermore, the MoF brings project management knowledge utilizing IDB policies and experience as executor of the IDB Loans like for example: *Performance Monitoring and Public Financial Management Reform* (3340/OC-BH), *Natural Disaster Emergencies-CCF* (4853/OC-BH) and *Reconstruction with Resilience in the Energy Sector in The Bahamas* (4978/OC-BH).

3. Fiduciary Risk and Mitigation Actions

Fiduciary Risk: High ___ Medium **X** Low ___

Risk	Mitigation Plan
<ol style="list-style-type: none"> Delays in processing accounting records related to project expenditures and preparing financial reports to the Bank by the EA. Absence of a proper accounting system to provide project financial reports and expenditures. 	<ul style="list-style-type: none"> Hire a Financial Consultant Train the Ministry of Finance staff in financial requirement. Implement an auxiliary accounting system to process accounting records and prepare financial reports related to project expenditures (e.g. QuickBooks or similar).

¹ Any system or subsystem that is subsequently approved could be applicable to the operation, in accordance with the terms of the validation conducted by the Bank.

² See document (https://idbg.sharepoint.com/:x:/r/teams/EZ-BH-LON/BH-L1048/_layouts/15/doc2.aspx?sourcedoc=%7B61787DD3-6958-4D25-AB47-1E6434B20FC1%7D&file=Institutional%20Capacity%20Analysis%20Report.xlsx&action=default&mobileredirect=true&wdLOR=cAD4E8727-2068-48B4-9E2F-44666861215D&cid=840589b2-1d77-4870-9446-fae3e3d1c838) that includes the analysis and results of the fiduciary capacity evaluation of the EA.

II. Aspects to be considered in the Special Conditions of the Contract.

Any additional conditions will be added.

III. Agreements and Requirements for Procurement Execution

The operation contemplates the procurement processes listed in the procurement plan available at [EZSHARE-2060580257-18](#).

Exception to the Procurement Policies: No exceptions are foreseen to the Bank's Procurement Policies.

Retroactive Financing and/or Advanced Procurement	<ul style="list-style-type: none"> Not applicable
Expenses incurred prior to the term of the Modified Agreement	<ul style="list-style-type: none"> The Bank may recognize "Expenses incurred prior to the term of the Amendatory contract" eligible expenditures made by the borrower prior to the loan approval date for subsidies of the proposed loan amount [subsidies] up to US\$13,3M (68% of loan amount), considering that requirements substantially similar to those established in the loan contract were met. These expenditures must have been made on or after March 30, 2020 when the GoBH made Tax Credit and Tax Deferral Employment Retention Program available after the WHO declared COVID-19 a global health emergency.
Procurement Complementary Support	<ul style="list-style-type: none"> Not applicable
Projects with Financial Intermediaries	<ul style="list-style-type: none"> Not applicable
Procurement Agents	<ul style="list-style-type: none"> Not applicable
Direct Contracting	<ul style="list-style-type: none"> A Financial Specialist will be hired through sole-source selection based on paragraph 5.4 (b) of the GN-2350-15 which establishes that individual consultants may be selected on a sole-source basis for assignments with a total expected duration of less than six months. The firm Sistemas Integrales will be hired through single-source selection to conduct the Bahamas COVID-19 Survey and provide technical assistance to the Bahamas Department of Statistics to enhance the design and implementation of the Labor Force Survey. This firm is specialized in household surveys and has ample experience working with a large pool of donor organizations, including the World Bank and the IDB. The firm has a strong track record of work in the Caribbean, having been hired by the IDB for the Barbados Standard of Living Survey in Barbados 2016/17, the Guyana Labour Force Survey 2017 and the Suriname Standard of Living Survey 2017. More recently, the company has gained experience

	conducting phone surveys to assess the impact of COVID-19 in Barbados with the Bank, which is essential to the proposed activity. In addition, Ramiro Flores Cruz, partner of the firm was hired by the Ministry of Finance to conduct an audit of The Bahamas Labour Force Survey in November 2019, funded under the program “The Bahamas Public Financial Management and Performance Monitoring Reform (3340/OC-BH)” Component II. Considering that the firm has experience of exceptional worth for the assignment and that the estimated cost of the contract is US\$100,000, the use of the single-source selection method is justified on paragraphs 3.11 (c) and (d) of the GN-2350-15.
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Operational Expenses: <input type="checkbox"/> Not applicable	National Preference: <input type="checkbox"/> Not applicable
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General Procurement Supervision Method of the Project:	
Supervision Method: ex-ante	For: Consulting Firms and Individual Consultants

Thresholds by Country: www.iadb.org/procurement

IV. Agreements and Requirements for Financial Management

Programming and Budget	<ul style="list-style-type: none"> • Budget Increase Act – Budget Reformulations. The fiscal year is inter-annual, going from July 1st to June 30th. Each year during its budget call, the Budget Department of the MoF sends out its circular including the required forms to be completed. The Borrower has committed to allocate, for each fiscal year of program execution, adequate fiscal space to guarantee the unrestricted execution of the program. • Optional Laws for the Management of the Budget at the Executive level. Public Financial Management is defined in the Financial Management and Audit Bill (2010 and 2013 amendment).
Treasury and Disbursement Management	<ul style="list-style-type: none"> • The disbursement mechanism will be electronic. • The Treasury Department agrees to establish a Special Account at the Central Bank of The Bahamas, denominated in US Dollars. These accounts will have exclusive use to cover for program expenditures. • Financial Plan –. The MoF will be using Reimbursement of Funds as their preferred method to receive loan resources. However, other types of disbursement will be available as stated in the OP-273-12 • Percentage for the justification of expenditure: 80% • Flow of Project resources: The resources will be disbursed mostly by transfers to the Ministry of Finance to provide tax relief to support businesses in maintaining formal employment levels and minimizing layoff of workers due to the effects of COVID19, through an active “Tax Credit and Tax Deferral” government Programme.
Accounting, Information System and	<ul style="list-style-type: none"> • Specific accounting norms: IFRS.

Report Generation	<ul style="list-style-type: none"> • Accounting reports: The national accounting system will be partially used because it doesn't provide reports for projects financed by external organisms. To fully comply with IDB requirements of internal control and records, and the specific requirements of the COVID-19 Tax Credit & Deferral Program, the financial consultant should maintain under his responsibility auxiliary records and systems (e.g. QuickBooks or similar). • Accounting Method and Currency: Cash basis.
External Control	<ul style="list-style-type: none"> • The Borrower and the Executing Agency, as agreed with the Bank, will select the as first option the Office of the Auditor General of The Bahamas or on its absence an External Independent Audit Firm to carry out "The Reasonable Assurance Engagement Audit" for the review of the specific requirements for the businesses to be benefited of the COVID-19 Tax Credit & Deferral Program, in accordance with the previously agreed Terms of Reference.
Financial Supervision of the Project	<ul style="list-style-type: none"> • The Project is adhering to the "Tax Deferral Employment Retention Programme" whose rules will be applicable to the project. The mentioned programme was designed by the GoBH for businesses with an annual revenue of US\$3 million or more and a minimum of 25 non-executive employees, to support in maintaining formal employment levels and minimizing layoffs of vulnerable workers to mitigate the effects of COVID19. The executing mechanism will be mostly based in transfers to the Ministry of Finance to provide tax relief through a "Tax Credit and Tax Deferral" to businesses. • Financial, Accounting and Institutional Inspection visits or meetings will be performed to: (i) Review of the Reconciliation and supporting documentation for disbursements; (ii) Compliance with financial and procurement procedures; (iii) Review of compliance with the lending criteria; and (iv) Follow up on audit findings and recommendations. To the extent possible, the Fiduciary Consultant will join administration missions and other project supervision activities. The Review of Disbursements will be ex post. <p>COVID-19 Tax Credit & Deferral: https://inlandrevenue.finance.gov.bs/covid-19-tax-credit-deferral/</p>

V. Information relevant to the operation

Policies and Guides applicable to the operation

Financial Management	Procurement
• <u>GN-2811 [OP-273-12]</u>	• <u>GN-2349-15 and GN-2350-15</u>

Records and Files

The Executing Agency shall maintain the files and records of the project according to accepted best practices and be kept for up to three years beyond the end of the operation's Last Disbursement Date. The Bank may, at any time, verify the standards of organization, control and management of the project files.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/20

Bahamas. Reformulation of Loan 3787/OC-BH for the Financing of Support to Vulnerable Populations through the Tax Credit and Tax Deferral Employment Retention Program in Industries Affected by the Coronavirus

The Board of Executive Directors

RESOLVES:

1. To approve the reformulation of Loan 3787/OC-BH "Skills for Current and Future Jobs in the Bahamas" authorized by Resolution DE-85/16, to use the available resources up to an amount of US\$19,513,464 for the financing of support to vulnerable populations through the Tax Credit and Tax Deferral Employment Retention Program in industries affected by the coronavirus, in accordance with the terms and conditions described in Document PR-_____:

2. To authorize the President of the Bank, or such representative as he shall designate, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Commonwealth of The Bahamas, as borrower, to amend Loan Contract 3787/OC-BH for the purposes described in this Resolution.

(Adopted on _____ 2020)