

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

THE COMMONWEALTH OF THE BAHAMAS

BOOSTING RESILIENT AND INCLUSIVE GROWTH IN THE BAHAMAS II

(BH-L1052)

LOAN PROPOSAL

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ABBREVIATIONS	
ABS	Access and Benefit Sharing
BCP	Business Continuity Program
BDB	Bahamas Development Bank
BEST	Bahamas Environmental Science and Technology Commission
BNT	Bahamas National Trust
BPAF	Bahamas Protected Areas Fund
BVNR	Bahamas Voluntary National Review on the Sustainable Development Goals
CCI	Caribbean Challenge Initiative
CDB	Caribbean Development Bank
COVID-19	Coronavirus Disease of 2019
DEPP	Department of Environmental Planning and Protection
EIA	Environmental Impact Assessments
ERC	Economic Recovery Committee
FAC	Fisheries Advisory Committee
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IFPG	Innovation Firm Performance and Gender
IMF	International Monetary Fund
InVEST	Integrated Valuation of Ecosystem Services and Tradeoffs
LAC	Latin American and the Caribbean
M&E	Monitoring and Evaluation
MoAMR	Ministry of Agriculture and Marine Resources
MoE	Ministry of the Environment
MoF	Ministry of Finance
MoTLA	Ministry of Transport and Local Affairs
MPAs	Marine Protected Areas
MSMEs	Micro, Small and Medium Enterprises
NFSF	National Fisheries Stakeholder Forum
OECD	The Organization for Economic Co-operation and Development
OPM	Office of the Prime Minister
PBL	Policy-Based Loan
PBP	Programmatic Policy-Based Loan
PMDU	Delivery Unit of the Office of the Prime Minister
SBDC	Small Business Development Center
SFD	Sector Framework Document
SME	Small and Medium-sized Enterprises
TFP	Total Factor Productivity
UNFCCC	United Nations Framework Convention on Climate Change
UoB	University of The Bahamas
WEF	World Economic Forum

PROJECT SUMMARY
THE COMMONWEALTH OF THE BAHAMAS
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Financial Terms and Conditions				
Borrower			Flexible Financing Facility ^(a)	
The Commonwealth of The Bahamas			Amortization Period:	20 Years
Executing Agency			Disbursement Period:	1 Year
Ministry of Finance			Grace Period:	5.5 Years ^(b)
Source	Amount (US\$)	%	Interest rate:	LIBOR Based
IDB (Ordinary Capital):	140,000,000	100	Credit Fee:	^(c)
			Inspection and supervision fee:	^(c)
			Weighted Average Life (WAL):	12.75 Years
Total:	140,000,000	100	Currency of Approval:	Dollars of the United States of America
Project at a Glance				
<p>Project Objective/Description: The general objective of this operation is promoting competitiveness and environmental resiliency of The Commonwealth of The Bahamas. The specific objectives will be: (i) promoting MSMEs' business continuity and reducing administrative costs in the private sector for a more competitive business climate; and (ii) protecting natural resources, protecting the environment, and promoting scientific developments in the Blue Economy for better environmental resiliency.</p> <p>This project corresponds to the second of two operations under the modality of Programmatic Policy-Based Loan (PBP), to be contractually independent and technically related.</p>				
<p>Special Contractual Clauses prior to the Single Disbursement of the PBP: The single disbursement of loan resources will be subject to the Borrower's compliance with the policy conditions of this second operation summarized in the Policy Matrix (Annex II), and the Policy Letter, as well as the compliance with the conditions contained in the Loan Contract (¶3.3).</p>				
Exceptions to Bank Policies: None.				
Strategic Alignment				
Challenges ^(d):	SI <input type="checkbox"/>		PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
Cross-Cutting Issues ^(e):	GE <input type="checkbox"/>	and DI <input type="checkbox"/>	CC <input checked="" type="checkbox"/>	and ES <input checked="" type="checkbox"/>

^(a) Under the Flexible Financing Facility (FN-655-1), the borrower has the option to request modifications to the amortization schedule, as well as currency, interest rate and commodity conversions. In considering such requests, the Bank will take into account operational and risk management considerations.

^(b) Under the flexible repayment options of the Flexible Financing Facility (FFF), changes in the grace period are possible as long the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

^(d) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. PROJECT DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed and justification

1. Macroeconomic Context

- 1.1 **The Bahamas is an open, service-based economy**, concentrated in a small number of sectors such as tourism, financial services and real estate which accounted for 37% of the Gross Domestic Product (GDP) in 2018.¹ The country is also greatly reliant on imports, which averaged 40% of GDP over the past 5 years and a third of which are food and fuel.²
- 1.2 **The country has experienced stagnating growth with widening fiscal deficits over the past few decades.** Economic growth has been low and slowing over the past two decades, from an average 1% yearly growth rate between 2000 and 2009, to an average 0.8% growth rate between 2010 and 2019. Total Factor Productivity (TFP) has been falling and has had a negative effect on growth since 2000 (TFP fell approximately 30% between 2000 and 2019).³ The country has 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-FY2019/20) and a growing debt-to-GDP ratio (which increased at an average yearly rate of 5.4% between 2000 and 2019).⁴
- 1.3 **Two structural constraints for growth in The Bahamas include a weak business environment and vulnerability to natural disasters.** The Bahamas ranked 119th (out of 190 with a score of 59.9) in the ease of doing business indicators⁵ similar to the Caribbean region average (119.5th out of 190) but lower than Jamaica and Trinidad and Tobago's rankings respectively (71th and 105th out of 190). Micro, Small and Medium Enterprises (MSMEs) accounted for 98% of registered companies in 2018 and generated almost half of the formal employment and one fifth of the turnover.⁶ The Bahamas is also vulnerable to natural disasters. Over the last 30 years, the country has recorded more frequent natural disasters and higher annual average damages from extreme weather events⁷ than the average Caribbean country.⁸ The frequency and intensity of natural disasters has increased in recent years, as the country has been hit by 6 hurricanes over the past decade.⁹ The most recent hurricane, Dorian, hit The Bahamas in 2019 resulting in an estimated US\$3.4 billion (27% of GDP) in damages and losses¹⁰. These two constraints, a weak business environment and the vulnerability to natural disasters exacerbate one another and negatively impact the country's ability to recover from external shocks, as there is an additional risk premium for private sector activity and the private sector must incorporate strong environmental

¹ WEO 2019 and [Central-Bank-of-the-Bahamas](#).

² Ibid.

³ WEO and WDI. ([Productivity in The Bahamas](#)).

⁴ IMF WEO April 2020.

⁵ [Doing Business Report 2020](#).

⁶ SBDC [2019 MSME Uncovered](#).

⁷ GOB, 2018. BNVR.

⁸ IMF. [Strengthening Natural Disaster Resilience](#). 2019.

⁹ Irene (2011), Sandy (2012), Joaquin (2015), Mathew (2016), Irma (2017) and Dorian (2019).

¹⁰ [Effects and Impacts of Hurricane Dorian](#).

and sustainability aspects in their activities. Tackling these two constraints in an integrated manner will promote a more diversified, dynamic, inclusive and sustainable economy.

- 1.4 **COVID-19 is having devastating effects on the economy.** The Bahamas had a first surge of the pandemic between March and May 2020. After flattening the epidemiological curve, the economy reopened, and tourism restarted in June 2020 but a second wave in November 2020 forced the reintroduction of restrictions. The economy is expected to contract 16.2% in 2020, reflecting an almost complete halt in tourism arrivals since March 2020, although a slight rebound has been experienced in 2021.¹¹ The Bahamas became one of the hardest hit countries in the Caribbean with 7,500 infections and 160 deaths.¹² The FY2020/21 budget came into effect on July 1st, 2020 but outlined an 11.6 % of GDP fiscal deficit. US\$1.3 billion in external financing is projected for FY2020/21 to meet the financing gap.

2. Business Climate Challenges

- 1.5 **A weak business climate affects The Bahamas competitiveness.** Excessive business regulation raises businesses' costs preventing an efficient reallocation of resources and factors between firms, harming the competitiveness of private businesses, productivity, and economic growth. The IMF,¹³ the Delivery Unit of the Office of the Prime Minister (PMDU)¹⁴ and the Economic Recovery Committee (ERC)¹⁵ are tackling several areas that affect business climate, such as business registration and protection of minority investors.¹⁶ Other areas that need to be addressed include the reduction of the cost of doing business through digitalization of paying taxes, obtaining construction permits and land titling. Many of these issues have been accentuated as a result of the impact of COVID-19 but also have resulted in: (i) decrease or sudden stops in MSMEs' operational income; and (ii) increased delays in payments for goods and services.
- 1.6 **COVID-19 brings special challenges for the business climate.** The COVID-19 crisis has impacted the conditions under which Bahamian businesses operate, particularly MSMEs. The economic shock due to the COVID-19 pandemic has produced two effects: (i) decrease or sudden stops in MSMEs' operational income; and (ii) increased delays in payments for goods and services. The pandemic created an imbalance in cash flows, generating short -term liquidity needs to be able to cover fixed operating costs and maintain employment levels. The Bahamas is a highly dependent country on tourism, and as such the effect on the economy of the Pandemic has been devastating. Tourism arrivals declined by 70.5 percent year -on-year in the first 10 months of 2020, causing about 20 percent of the labor force to accept unemployment benefits and an additional

¹¹ IMF. 2020. WEO.

¹² IMF 2020.

¹³ IMF 2019.

¹⁴ [PMDU 218/2019 Annual Report](#) identifies business climate opportunities in five areas: Starting a Business; Getting Construction Permits; Protecting Minority Investors; Registering Property; Getting Credit.

¹⁵ [Executive Recovery Committee Summary Report](#).

¹⁶ The IDB program, [Government Digital Transformation to Strengthen Competitiveness](#) (4549/OC-BH), introduces simplification, digitalization, and transparency for government procedures, aimed both at businesses and citizens.

7,000 self-employed have received government assistance. Given the large participation of MSMEs in the economy and the severity of the COVID-19 shock, business continuity has become a priority. Most of the countries affected by COVID-19 have implemented interventions to support MSMEs with the goal of: (i) sustaining domestic production; (ii) protecting employment levels; and (iii) preserving macroeconomic stability. The measures adopted by those countries seek to improve the short and medium-term financial sustainability of MSMEs, preventing depletion of working capital and improving access to credit to increase liquidity and to maintain investment levels.

- 1.7 Aside from the cash flow difficulties generated by COVID. In addition, two factors affect the competitiveness of small-scale businesses. First, informality, estimated around 20-30% of the GDP,¹⁷ and second, basic business capacities. Informality causes unfair competition due to avoidance of social and fiscal obligations, and limits capacities to innovate, increase productivity and grow due to lack of access to credit markets or to public financing.¹⁸ High registration costs generate perverse incentives fostering informal startups, especially of micro enterprises. In The Bahamas, the percentage of informal firms is 74.6% in the small firms' segment and 52.6% among medium firms.¹⁹ Therefore, changes in startup registration should incentivize formalization through simplified registration and digitalization of business registration processes.
- 1.8 With respect to business capacities, Bahamian firms face challenges derived from low use of technology and low capacity for innovation. Bahamian firms exhibit low complexity (existing industries are not closely connected and face challenges in upgrading goods or changing industries), insufficient innovative activity (only 26% of the firms innovate), and limited use of high technology (most firms use basic digital technologies such as cellphones or websites and only 19% of firms believe they have solved their technological needs).²⁰ The most recent firm -level survey show that these trends have not improved over time.²¹ MSMEs that lag in the adoption of digital competencies, typically lag in productivity and competitiveness,²² and may be sent out of business by other companies that do acquire advanced digital capabilities, in each country and at a global scale.²³
- 1.9 The COVID-19 crisis has accelerated the digitalization of businesses, forcing companies to develop new business models. During 2020, and compared to 2019, Latin America experienced a 150% growth in the adoption of digital technology, with 1.7 million new users of the e-commerce site *Mercadolibre*, teleworking of up to 25% of the population in large cities, and a 40% increase in use of digital education platforms. This has been recognized as an irreversible trend. However, Caribbean businesses, including Bahamian ones, seem not to be investing sufficiently in digital technology. A 2020 survey of technological capabilities of MSMEs in the Caribbean showed that firms are: (i) doing limited investment in digital technologies; and (ii) investing in technologies that do not provide the most

¹⁷ Amos, Peter. 2017.

¹⁸ Goni. 2013; Levy. 2008.

¹⁹ IMF. 2019.

²⁰ Innovation, Firm Performance and Gender (IFPG). 2021.

²¹ World Bank Group Enterprise Surveys: 2010. PROTEqIN 2014. (IFPG). 2021.

²² OECD. 2019.

²³ Navarro. 2018.

benefits.²⁴ Meanwhile, in The Bahamas, 28% of firms have identified the need for technical support in digitalization to ramp up operations post-pandemic, and only 45% of firms are using digital media for their businesses (Facebook, Instagram etc.). In addition, 38% of firms identify the need to increase or modify their digital forms of operation to adapt to the COVID-19 Pandemic. (see [OEL#13](#)).

- 1.10 **Costs to register a business are high.** The number of days and procedures taken to register firms equates to standstill capital and forgone profits.²⁵ The PMDU 2018-2019 Annual Report indicates that obtaining or renewing a business licence in The Bahamas took more than 30 days in 2018.²⁶ According to the 2020 Doing Business report of the same year, the cost reached 13.8% of the income per capita, and that although most firms use internet to operate their business, 70% of interviewed firms found interaction with the government in issues related to business registration extremely difficult.²⁷
- 1.11 **Minority investor protections need strengthening.** Minority investor protections affect the ability of companies to raise the capital needed to start, grow, innovate, diversify, and compete. Corporate governance standards in areas such as board composition and independence, firm transparency and disclosure, and the rights of shareholders minimize the agency problem between majority and minority shareholders. If the laws do not provide such protections, investors may be reluctant to invest.²⁸ Bahamian capital markets needed stronger regulation for the protection of minority stakeholders, especially for takeovers of publicly traded companies²⁹.
- 1.12 **High Vulnerability to natural disasters and climate change.** High exposure to climate risks implies high cost and risks of doing business.³⁰ The vulnerability of The Bahamas to the impact of climate change, due to the low-lying nature of the islands and its widespread spatial extent within the hurricane zone of the Caribbean has required measures to reduce this risk³¹. Massive reconstruction costs and heavy investment in resilient infrastructure, risk transfer tools (such as insurance) and contingency planning take away or divert scarce resources. Sea-level rise and extreme storm events have significant consequences for the economy of coastal regions through gradual inundation, increased frequency of flooding and rates of erosion,³² and could lead to loss of coastal wetlands, dunes, and beaches.³³ Nature-based defenses can provide climate-resilient alternatives, and can do so cost-effectively in comparison to infrastructure approaches.³⁴ For example, coral reefs limit the impacts of storm surges by reducing wave energy,

²⁴ Compete Caribbean Technology Extension Services Pilot.

²⁵ Fernandes, et al. (2018) Alfaro et al. (2014).

²⁶ 46 days on average World Bank. 2020.

²⁷ [Business Survey Technical Note](#) and [Business Survey Results](#).

²⁸ [World Bank. 2020. Doing Business Report](#).

²⁹ Previous experiences with publicly traded companies in the Bahamas highlighted the need so strengthen minority shareholder rights during takeovers.

³⁰ Okter, et al., 2018.

³¹ The Bahamas an archipelago of more than 700 islands, that contain significant wetlands and mangrove forests, with most of the population on or near the coast. 80% of the land lies less than 1-1.5m above sea level. The Bahamas has five percent of the world's coral as well as the world's third longest barrier reef. World Bank 2020.

³² Heberger et al., 2009; Griggs and Haddad. 2011; National Research Council. 2012.

³³ Griggs, 2005; Kraus and McDougal, 2013; Berry et al., 2013.

³⁴ ECA. 2009; Jones et al., 2012; Lowe et al., 2013.

together with buffering effect of mangrove forests and seagrass beds. Natural infrastructure can also provide multiple benefits to communities, including the provision of fish nurseries and habitats, water quality regulation, recreational and cultural values,³⁵ which are local sources of sustenance and economic security.³⁶

- 1.13 The vulnerability of The Bahamas³⁷ calls for a legal, institutional, and regulatory framework to protect the country's natural resources while promoting competitiveness and sustainable practices in business activity. The country has engaged in a program that: (i) strengthens and modernizes institutional, legal, and regulatory framework for promoting environmental resilience and protection of natural resources; and (ii) promotes innovation in the marine resources through the Blue Economy, tackling the main constraints to growth in an integrated manner.
- 1.14 **Institutional and legal framework for environmental resiliency.** Environmental governance is critical for the environmental and climate change challenges.³⁸ In The Bahamas, several institutions - such as the Ministry of the Environment and Housing; Ministry of Public Works; Ministry of Health; and Ministry of Agriculture and Marine Resources; among others,³⁹ oversaw different elements of environmental management, causing coordination gaps and ambiguity, as there was no centralized institution for developing environmental policy, protection and conservation and proper management of marine resources. Also, there was the need to further strengthen their enforcement capacity, as well as the ability to issue fines.
- 1.15 **Marine Protected Areas (MPAs) are instruments for promoting natural infrastructure and protection of marine species.** MPAs are defined as areas where marine and coastal biodiversity enjoy a higher level of protection.⁴⁰ Without proper conservation measures, such as the establishment and management of MPAs, the sustainability of marine economies is challenged. A gap analysis carried out in 2017⁴¹ showed that only 20% of the spawning fish areas (areas of reproduction of fish), 50% of tidal creeks, 8% of seagrass beds and 30% of coral reefs were protected. In addition, there were no protected areas in critical zones such as Eleuthera, Cat Island, Long Island, and the Western Great Bahama Bank. In 2016, The Bahamas protected 10% of its marine and coastal habitat and in 2017, the country committed to protect 20% by 2020. The Bahamian system for MPA management is a mixed one, with the Bahamas National Trust (BNT) that manages the majority of the assigned MPAs while the remaining are managed by the Department of Marine Resources (DMR) and other public entities.
- 1.16 **Challenges in the legal framework for environmental management.** The rising production of plastic and its low circularity is increasing the amount of plastic leaked into the ocean, estimated in 12 million tons a year. Plastic waste negatively impacts marine organisms and biodiversity.⁴² Microplastics in the oceans

³⁵ Zedler and Kercher, 2005; Barbier et al., 2008; Everard et al., 2010.

³⁶ Silver J et al., 2019.

³⁷ Ram et al., 2019.

³⁸ Modak, P. 2018.

³⁹ United Nations. 2002.

⁴⁰ OECD. 2017.

⁴¹ BNT. 2017. [Bahamas Protected Marine Gap Analysis](#).

⁴² Secretariat Convention on Biological Biodiversity. 2016.

jeopardizes marine life while disrupting the bio-geo cycle,⁴³ and high concentration of marine debris damages coral reefs, mangrove forests and sea grass, with negative impacts on tourism, recreational activities, and damage vessels.⁴⁴ In The Bahamas, it is estimated that the pollution on the beaches could cause up to US\$8.5 million in tourism losses annually,⁴⁵ and marine debris accumulation is between 200 and 533 million metric tons. A recent study carried out in Eleuthera Island shows that 93% of all marine debris corresponds to plastic.⁴⁶ The value of annual imports of shopping plastic bags and container per capita in The Bahamas was US\$29.38 in 2018.⁴⁷

- 1.17 Governments can influence manufacturing of products and services that better for the environment by including legal and regulatory frameworks that incentivize green solutions.⁴⁸ In 2019, The Bahamas started the legislative process for the Procurement Bill, that provides guidance for sustainable procurement practices for MSMEs, fosters the reduction of adverse environmental and social impact of purchased products and incentivizes suppliers to adopt practices that minimize adverse environmental and social impacts. The introduction of solid environmental practices in private sector activity was complemented with the drafting of the procedures for Environmental Impact Assessments⁴⁹ and the enactment of the Environmental Protection (Control of Plastic Pollution) Act that bans single-use plastics.
- 1.18 **Promotion of scientific development and governance in new sectors such as the Blue Economy.** The Blue Economy is defined as the simultaneous promotion of economic growth, environmental sustainability, and strengthening of oceans ecosystems by maximizing the value of marine resources.⁵⁰ The Bahamas' Exclusive Economic Zone (EEZ) covers 260,000 square miles, of which 5% is land and 95% is sea,⁵¹ representing the largest development space for the country.⁵² The geographical and climate conditions of The Bahamas provide unique possibilities for the Blue Economy if properly managed and protected. The proximity of this deep-water offshore environment creates sport fishing opportunities and convenient shipping lanes for cargo and cruise ships alike. The biodiversity of these zones includes a rich diversity of reef fish, lobsters, conch, turtles, algae, resident, and migratory birds.⁵³
- 1.19 In the Bahamas, the Blue Economy encompasses traditional sectors (fisheries, maritime transport, and coastal tourism)⁵⁴ with opportunities for new economic activities. The economic contribution of the Blue Economy in The Bahamas has been estimated in 21.5% of the GDP, and up to 50% including the indirect

⁴³ Karbalaee, et al, 2018.

⁴⁴ Ambrose et al., 2019.

⁴⁵ Ibid.

⁴⁶ Ibid.

⁴⁷ Boucher et al., 2020.

⁴⁸ OECD. 2015.

⁴⁹ [EIA & EMP Guidelines](#).

⁵⁰ OECD. 2017.

⁵¹ Convention on Biological Diversity.

⁵² Roberts, J. 2014.

⁵³ FAO. 2015.

⁵⁴ Coastal Tourism contributed to 27.7% of GDP in 2018 (CDB, 2020).

- impacts.⁵⁵ With 95% of the country's territory located in the marine habitat and a regional average of 70% of the country's population living on the coast, marine resources have the potential to become an important source of economic production.⁵⁶ The fisheries sector contributes around 1% to GDP,⁵⁷ and is mainly concentrated in traditional activities. The Bahamas produced 11,400 tons from capture fisheries in 2017, with Caribbean spiny lobster and queen conch accounting for about 68% and 29% of total catches respectively, and exported US\$87.7 million, with an annual contribution of 5.6 millions of pounds of nursery habitats in spiny lobster catch in 2017.⁵⁸ ([OEL#8](#)) Expanding the Blue Economy in The Bahamas requires the promotion of emerging ocean-based activities, including the exploitation of new marine- products,⁵⁹ and fostering niche markets,⁶⁰ and new tourism activities.⁶¹
- 1.20 The proposed new MPA network could generate annually US\$67.6 million in tourism expenditure, US\$23.5 million in nursery habitats for spiny lobster, US\$806 million in coastal protection and US\$5 billion in avoided GHG emissions.⁶² The ERC identified the need for sustainable exploitation of fisheries, and due to the intersectoral nature of the Blue Economy, strong coordination mechanisms need to be established.
- 1.21 Scientific research, particularly bioprospection, drives discovery and innovation towards the Blue Economy. Access and Benefit-Sharing (ABS) regulates how genetic resources are accessed, and how those benefits are shared between the people or countries using the resources and the people or countries that provide them. The Nagoya Protocol on ABS introduced a global set of principles for access to genetic resources and for a fair and equitable sharing of benefits and provides a transparent legal framework for the effective implementation of ABS⁶³ regime in a country.
- 1.22 The Bahamas used to issue between 60 and 70 research permits per year,⁶⁴ 90% of those issued to foreign institutions (mostly U.S. and Canada), enabling access to genetic resources in the marine environment. Around 125 new natural products were discovered in Bahamian EEZ in the 2000s.⁶⁵ Research initiatives applied for U.S. patents for a marine microbe originating from The Bahamas, the production of biomolecules with this specific Bahamian strain and their use as pharmaceuticals. These inventions based on a Bahamian genetic resource might be developed in commercially successful drugs. Due to the lack of a regulatory ABS regime in The Bahamas and appropriate contractual ABS provisions, almost no benefits are flowing back from of utilization and commercialization of Bahamian

⁵⁵ MCRIT. 2020.

⁵⁶ Ecosystem Service Valuation of Proposed Protected Areas in Abaco. University of California (2013).

⁵⁷ Fisheries and Aquaculture in The Bahamas: A Review. 2015. FAO/Department of Maritime Affairs.

⁵⁸ Arkema, K. 2017. [Economic Valuation of Bahamian Marine Protected Areas](#).

⁵⁹ OECD. 2019.

⁶⁰ [Bahamas Lobster](#).

⁶¹ Haas, et al., 2017.

⁶² Arkem. 2017.

⁶³ [The Nagoya Protocol on Access and Benefit Sharing](#).

⁶⁴ [Appliedecology.cals.ncsu.edu](#).

⁶⁵ 125 new natural products were discovered in Bahamian Exclusive Economic Zones. Costa Leal (2012).

genetic resources. Due to this fact, no permits have been issued in 2019 and 2020 until the new legislation is in place.

- 1.23 **Gender gap.** The gender gap in the country is still wide ⁶⁶ as females tend to earn 66% less than men,⁶⁷ are less likely to be promoted into positions of authority,⁶⁸ and approximately 26% of firms have a female top manager.⁶⁹ Women-led firms are often of smaller size, younger, and usually operate in low growth, low profit segments.⁷⁰ The main constraints for women entrepreneurs relate to sociocultural factors, reduced access to credit and higher finance costs,⁷¹ lack of skills to operate in more knowledge-intensive sectors,⁷² and use of advanced digital applications, such as digital payments. 43 percent of Women-Owned Firms (WOFs) report access to digital payments as a major obstacle for their operation, compared to 37 percent of the other firms. This is a constraint that could deter performance among women-led firms, widening further the economic gender gap. With the pandemic, WOFs in The Bahamas have been more affected (89% experienced a negative impact) and 24% of WOFs believe they need technical support geared toward digitalization to ramp up operations post-pandemic.⁷³
- 1.24 **Institutional aspects.** Several institutions in The Bahamas are involved in the promotion of competitiveness and environmental resiliency. The Economic Recovery Committee (ERC), comprised of different public agencies and private stakeholders, addressed the short-term challenges presented by the COVID-19 pandemic and provided recommendations for boosting economic recovery, including actions for improving business climate and economic diversification.⁷⁴ Improving business climate is one of the four priorities of The Delivery Unit in the Office of the Prime Minister (DUPM), who has promoted activities for registering a new business and protecting minority investors, both contributing to enhance the business climate in the country.⁷⁵ Regarding the Blue Economy, the Ministry of Agriculture and Marine Resources (MoAMR) leads an Inter-Departmental Blue Economy Coordination Group to coordinate national agencies with responsibilities for ocean affairs and marine resources.
- 1.25 **International experience.** International experience regarding business climate and competitiveness show that higher quality business climates tend to be related to economies with higher levels of aggregate productivity and economic growth.⁷⁶ Evidence shows that excess of regulation and lack of modern procedures to regulate private sector activity have a negative impact on the capacity of business

⁶⁶ [UNDP Human Development Report 2020](#).

⁶⁷ IDB CDC. 2017.

⁶⁸ ILO Caribbean Company Survey. 2017.

⁶⁹ [Innovation, Firm Performance and Gender \(IFPG\)](#) .

⁷⁰ Winston. 2017.

⁷¹ For example, 32.3% of firms with a female top manager indicates that access to finance is a major obstacle, while only 24.7% of firms with a male top manager (ProteqIN dataset).

⁷² Lashley, Smith. 2015.

⁷³ IFPG. 2021.

⁷⁴ [Economic Recovery Committee](#).

⁷⁵ [PMDU Annual Report](#). The medium-term strategy of the PMDU included five indicators: (i) starting a business; (ii) construction permits; (iii) protecting minority investors; (iv) registering property; and (v) getting credit. The 2018-2019 report shows progress on the first two and a strategy to address the remaining three.

⁷⁶ Haidar. 2012. Investigates the link between regulatory reform and economic growth in 172 countries over a 5-year period.

to invest and grow,⁷⁷ and the complexity of regulatory procedures remains a major obstacle to entrepreneurial activity.⁷⁸ Evidence in other countries suggests that incorporating reforms to lower the cost of doing businesses reduces informality and increases firms' performance and productivity.⁷⁹ In addition, evidence shows that natural infrastructure can play an important role in mitigating risks to coastal communities from climate change impacts.⁸⁰ (See [OEL#9](#)).

- 1.26 There is recognition of the need to balance environmental protection and economic growth, and how a governance system is required to ensure efficient and effective conservation actions.⁸¹ Evaluation on the experience from other countries show that the Environmental Impact Assessments (EIAs) should include stakeholder support, ensure transparency and accountability measures.⁸² To develop the Blue Economy, integrated governance with public, private, NGOs and academia is needed to encourage the optimal use of the marine resources, while preserving the environment and biodiversity.⁸³ Evidence from other countries⁸⁴ show that the establishment of MPAs, in areas with spiny lobster population, increases up to 225% in total catch after six years (see [OEL#8](#)). Experience in the Caribbean region include Grenada that has prioritized the Blue Economy for the country's long term vision and implemented a set of policies and projects to optimize its coastal, marine, and ocean resources.⁸⁵ Barbados became the first country to establish a Ministry of Maritime Affairs and the Blue Economy in 2018⁸⁶ (see [OEL#7](#)), and this has been followed by Belize with its Ministry of the Blue Economy and Civil Aviation in 2020.⁸⁷
- 1.27 **Government strategy, priorities, and actions.** With the COVID-19 pandemic and the effects of recent natural disasters, actions to improve economic and environmental resilience under a strengthened institutional framework have become an urgent priority for the government, as evidenced by the ERC report.⁸⁸ The Government of The Bahamas has complemented the short-term support for MSMEs during the COVID-19 pandemic, including additional resources for the health sector for detection, isolation and treatment of COVID-19 cases, support to displaced workers and provision of temporary unemployment benefits, the latter in supported by the IDB.⁸⁹ The government is prioritizing reforms geared at promoting competitiveness and improvement of the business climate, under a framework of environmental sustainability and resilience, including a medium term strategy of further improving the business climate and supporting economic diversification as outlined in the ERC report. The Bahamas National Development Plan: Vision

⁷⁷ OECD. 2014.

⁷⁸ OECD. 2018.

⁷⁹ Donor Committee for Enterprise Development-DCED. 2014. What do we know about Business Registration Support Reform.

⁸⁰ Zedler and Kercher. 2005; Barbier et al. 2008; Everard et al. 2010.

⁸¹ OECD. Work on the Environment Report 2019-2020.

⁸² OECD. 2020.

⁸³ OECD. 2019. [Successful Blue Economy Examples with an Emphasis on International Perspectives \(Frontiers in Marine Science 2019\)](#). Sweden, Japan, China, Indonesia, Spain, Canada, and U.S, among others.

⁸⁴ Gallagher, L. 2020, Finds evidence that spillover from MPAs increases spiny lobster catches in southern California.

⁸⁵ World Bank. 2016.

⁸⁶ Humphrey, K. 2018.

⁸⁷ [Ministry of Blue Economy and Civil Aviation:100-Day Plan Progress Report.](#)

⁸⁸ [OPM Reports.](#)

⁸⁹ IDB Caribbean Department. 2020. [Caribbean Economics in the time of the Coronavirus.](#)

2040,⁹⁰ sets economic diversification as a priority goal for resilient growth, including the sustainable development of new sectors (including the Blue Economy), increased employment for young people in blue jobs and greater protection of coastal and maritime ecosystems.

- 1.28 **Bank experiences and lessons learned.** The Bank has carried out a series of programs in the Caribbean⁹¹ that have resulted in improvements in the business climate by the implementation of reforms aimed at facilitating private sector-led growth and reducing the cost of Doing Business. For example, the implementation of the Jamaica Competitiveness Enhancement series resulted in moving up 27 places in the annual World Bank Doing Business report and 70% of the beneficiaries from the Compete Caribbean Program reported an improvement in the business climate in the areas of reform conducted in their country.⁹²
- 1.29 Experience from similar programs in the Caribbean region show that: (i) it is critical to link economic growth with environmental resilience in small island states;⁹³ (ii) the importance of addressing business climate issues to foster economic growth in the Caribbean; and (iii) the importance of providing technical support for enabling informed decision making to promote private sector development. The Bank has supported a set of business climate improvement and innovation programs in Latin America and the Caribbean, finding that these programs achieved direct benefits and effects on private sector activity and overall competitiveness.⁹⁴ Lessons learned in these operations involving reforms to improve the business climate show that: (i) the Bank can play a catalytic role in introducing novel reforms in strategic areas; (ii) programmatic operations tend to have a strong impact when executed in conjunction with other Bank instruments; (iii) the capacity of executing agencies is critical to lead and continue the reform process; (iv) the private sector plays an active role in the implementation and maintenance of reforms; and (v) the benefits of this type of intervention become more apparent in the medium and long term.
- 1.30 Experiences from similar programs in The Bahamas show: (i) the need to implement complex programs in stages;⁹⁵ and (ii) challenges in coordination can be solved through multi-tiered coordination mechanisms.⁹⁶ These lessons learned are being incorporated in the current program by: (i) providing technical support in key areas such as analysis of the reforms related to business climate, establishing priority actions for the Blue Economy in coordination with all relevant stakeholders and promoting best practices for management of MPAs; (ii) implementing complex reforms in stages; and (iii) complementing the proposed reforms with other Bank instruments such as technical cooperation programs.
- 1.31 **First operation and progress.** The first operation (5091/OC-BH) under the modality of Programmatic Policy-Based Loan (PBP) approved on August 5th,

⁹⁰ [Vision 2040](#).

⁹¹ 1972/OC-JA; 2297/OC-JA; 3147/OC-JA Series Jamaica Competitiveness Enhancement Program (JCEP), 3401/OC-SU Suriname Business Climate and Innovation Program, Compete Caribbean Program. Technopolis. 2016.

⁹² [Barbados Sustainable Development Program \(4987/OC-BA\)](#).

⁹³ Howell. 2017.

⁹⁴ PCR 2758/OC-BH.

⁹⁵ [IDB Group Country Program Evaluation 2010-2017](#). IDB Group Country Program Evaluation 2010-2017.

2020 for US\$200 million was structured in two components: (i) strengthening and modernizing the regulatory framework for a more competitive business climate, comprising four institutional and regulatory measures that were achieved in August 2020; and (ii) modernizing the institutional framework for better environmental resiliency, comprising 13 institutional and regulatory measures that were achieved in August 2020. The progress in the first operation is described as follows:

- 1.32 **Strengthening and modernizing the regulatory framework for a more competitive business climate.** To support MSMEs during the COVID-19 crisis, a Business Continuity Program (BCP) was executed by the Small Business Development Corporation (SBDC), allocating US\$30 million in loans to small businesses, ranging from US\$5,000 to US\$300,000 as well as grants for payroll assistance. Thus, 544 firms benefited, of which 34% were female -led.⁹⁷
- 1.33 To broaden the scope of the beneficiaries and reduce informality, the SBDC also developed a program to encourage and support business registration, which supported around 50% of their beneficiaries to formally register their businesses.⁹⁸ However, BCP experienced difficulties regarding the monitoring and evaluation of its beneficiaries, as the administrative records for firms have different identification numbers in each relevant institution, such as the National Insurance Board (NIB) and the Inland Revenue.
- 1.34 The government also streamlined the process of obtaining a business licence by rolling out provisional business licences for low-risk companies that allowed expedited registration for firms in sectors considered low risk, such as, home-based or trading-as businesses in non-regulated industries.⁹⁹ The Bahamian government strengthened minority investor protections by increasing disclosure requirements for conflicts of interest, clarifying ownership and control structures, and requiring greater corporate transparency¹⁰⁰ by amending the Companies Act (2019), and the enactment of the Securities Industry (Corporate Governance) Rules, 2019 and the Securities Industry (Take-over) Rules, 2019.
- 1.35 **Modernizing the Institutional framework for better environmental resiliency.** New institutions in charge of protecting the environment, the Ministry of the Environment (MoE) and the Department of the Environmental Planning were created in 2019. The MoE is responsible for the integrity of the environment, and financing conservation and management of the environment. The DEPP is responsible for an integrated environmental management system, the protection and conservation of the environment; and the restoration, management and enforcement of infractions and restorations, including environmental impact assessment, protection of coral reefs and conservation areas (see [OEL#5](#)).
- 1.36 The governance, enforcement, and financial sustainability of the MPAs was strengthened with the amendments of The Bahamas Protected Areas Fund (BPAF) and BNT Acts, which strengthens and expands the country's MPAs network, created national conservation funds dedicated to funding MPAs' management and

⁹⁷ [Business Continuity Report](#).

⁹⁸ [Ibid.](#)

⁹⁹ A [provisional business licence](#) is a temporary licence issued to small businesses in pre-determined low risk sectors.

¹⁰⁰ [Doing Business 2020](#).

developed a monitoring and evaluation regime.¹⁰¹ In 2015, 41 MPAs were declared and a proposal for 43 new sites was submitted to Cabinet in 2019, and a web-based monitoring and evaluation system is established in the BPAF.

- 1.37 With the enacted Environmental Protection (Control of Plastic Pollution) Act of 2019, imports of plastic bags, plastic straws, plastic food utensils and Styrofoam cups and food containers and release of balloons in the atmosphere were prohibited. The Public Procurement Bill that promotes sustainable procurement practices was tabled in Parliament. The EIAs regulations, that include the mandatory application for preliminary review, the requirement of an environmental performance bond to cover potential environmental mitigation costs, provision for fines and requirements for consultation were drafted.
- 1.38 For the promotion of marine science and its contribution to develop the Blue Economy, a policy for proper management of Maritime Resources for Research and Innovation was developed, which was the basis for the drafting of the Biological Resources and Traditional Knowledge Protection Bill, which includes the implementation of the ABS regime. Also, the government established an Inter-Departmental Blue Economy Coordination group, spearheaded by the MoAMR which includes: The Bahamas Agriculture and Marine Science Institute (BAMSI), the Ministry of Environment (MoE), The Department of Environmental Planning and Protection (DEPP), the Ministry of Transport and Local Affairs (MTLA), The Bahamas Maritime Authority (BMA), the University of The Bahamas (UoB) and public private organizations such as BNT. In addition, the government developed and consulted a strategy for economic diversification in the Blue Economy with the participation and consultation with public, private, and civil society stakeholders and a policy for the proper use of marine resources for scientific research.
- 1.39 **Pending challenges from the first operation and policy measures of the second operation.** The second operation continues to support the challenges identified initially. It further enhances the policy measures to improve the business climate for all private agents and for MSMEs, with a focus on post-COVID recovery; and supports further modernization of the institutional and legal framework for better environmental resiliency by supporting effective implementation of the regulations and institutional mechanisms approved in the first operation.
- 1.40 **Improving the business climate for all agents and for MSMEs, with a focus on post-COVID recovery.** The Business Continuity Program (BCP) supported by the first operation provided micro, small and medium-sized enterprises (MSMEs) throughout The Bahamas with loans for working capital to help overcome the impact of COVID-19, as part of the actions to improve the business climate of the country, considering that the COVID-19 pandemic has endangered business continuity (aggravated by the high concentration of MSMEs on tourism activities, which is one of the most affected sectors by the pandemic). The program is targeted to formal MSMEs¹⁰² with the requirement to retain at least 51% of

¹⁰¹ Including financial provisions to provide employment and community participation.

¹⁰² The eligibility criteria are: MSMEs operating in The Bahamas with less than 50 employees, less than US\$3.000 in revenue for 2019 and with current Business Licence or VAT returns if applicable.

employees and share their credit performance with the Credit Bureau and other financial institutions. Preliminary findings show that¹⁰³ the continuity rate of beneficiary MSMEs is 53% (298 out of 557) with a retention rate of 56% employees on average. Of the continuing firms, 56% (168 out of 298) managed to retain 95% of employees on average. The remaining 44% of continuing beneficiaries retained 30% of their employees on average. However, conclusions are still preliminary, and the initial monitoring exercise on the results of the BCP highlighted the need for a strengthened system with quick access to the control variables in the NIB and the Department of Inland Revenue (DIR) (See [REL#3](#)) which will be supported by the second operation.

- 1.41 The second operation supports further actions to address MSMEs gaps related to innovation and digital capabilities through the SBDC, by providing technical assistance to develop innovative business models, strengthen digital business, and provide remote training tools. In addition, digital platforms have been developed to connect stakeholders in the business support and innovation ecosystems.
- 1.42 With the first operation, the BCP provided support for MSME business registration, but the challenge of informality of firms persisted, accentuated by the economic impact of the COVID-19 pandemic, as the policies and programs implemented by the Government are focused on the formal economy.¹⁰⁴ In this regard, with the second operation, the SBDC has developed initiatives to foster formality, such as the Over the Hill Program that supports entrepreneurs and MSMEs in marginalized communities to register their business, and has provided incentives for formalization in the form of grants for formal start-ups or registered business to accelerate and grow.¹⁰⁵
- 1.43 Although the first operation supported the streamlining of the process of business licensing and business registration, further actions were needed to reduce the time and cost of the process and to provide legal ground to these measures. Thus, for the second operation the government approved laws and regulations to establish provisional business licences for low-risk companies and to eliminate the registration fee, jointly with the streamlining of a digital platform to register businesses, that consolidates the online application process with the Department of Planning, Ministry of Public Works and Ministry of Finance. Thus, the time for registering a new business went from 29 to 6 days, and from 52 to 6 days to renew a licence during 2020.¹⁰⁶ During the January to October period of 2020, 9,700 new business licences were issued and 2,000 were renewed.
- 1.44 The enactment and amending of legislation to protect minority investors developed in the first operation addressed the challenge of building trust for investors by providing equity participation in new firms, and it was further enhanced in the second operation with new regulations that improved investor protection provisions by including best-practices and standards in corporate governance for public issuers and adding protections for minority shareholder in the case of

¹⁰³ Using preliminary baseline data from SBDC administrative records administrative records from NIB and defining continuing firms to those found both datasets and that in the follow up registered a positive number of employees.

¹⁰⁴ [The Bahamas Country Note: Impact of COVID-19 and policy options.](#)

¹⁰⁵ [Access Accelerator.](#)

¹⁰⁶ [PMDU Annual Report.](#)

take-overs.¹⁰⁷ The score for the Protecting Minority Investors in the World Bank Doing Business Report increased from 46 in 2019 to 56 in 2020 (see [OEL#4](#)).

1.45 Modernizing the Institutional framework for better environmental resiliency.

To address the challenges of coordination gaps and lack of a centralized institution to develop environmental policy, the second operation supports the operationalization of the newly created institutions in the first operation (Ministry of the Environment and Department of Environmental Planning and Protection), the implementation of the regulatory measures that strengthen the existing ones (BNT and BPAF) and the strengthening the management of Marine Protected Areas. The newly created Ministry of the Environment is an active leader for promoting policy for climate change mitigation and adaptation, being designated as the National Designated Authority (NDA) for the Green Climate Fund (GCF) and is tending matters related to environmental protection, protection of native species, waste management and regulation of exploitation of natural resources. The DEPP, which absorbed the former BEST Commission, is now operational, with a new appointed director and has issued regulations related to notices, procedures for the designation of environmentally sensitive areas, pollution control applications and permits. It also has its functional webpage and is carrying out the consultations related to the implementation of Marine Protected Areas.¹⁰⁸

1.46 To address the lack of capacity for enforcement, increased governance, transparency, and independence in the marine space, and in the context of the second operation, the BNT has drafted and submitted the regulations for the implementation of governance and reporting guidelines, as well as provisions for issuing penalties. The BPAF now publishes its activities in a yearly basis and has signed partnership arrangements to increase sources of funding for the BPAF.

1.47 The first operation supported the identification and submission to Cabinet of 43 MPAs. As the second operation supports the approval in Cabinet of the 43 new MPAs, the challenge to be addressed was the protection of the designated protected area by developing management plans. Management plans include agreement with the communities on no-take areas, fishing restrictions, community consultations, exclusive rights for local fishermen, promotion of alternative livelihoods, training, education, and revenue generation, among others. Of the management plans for the four MPAs included in the second operation, one is already concluded¹⁰⁹ and three are being developed: Lucayan National Park (Grand Bahama); Bonefish Pond National Park (New Providence); and the updating of the 2006 management plan for the Exuma Cays Land & Sea Park, comprising around 73,000 acres of marine space (see [OEL#11](#)). Also, in the second operation, the monitoring and evaluation system of the MPAs is being strengthened by updating the baseline data for valuation of economic benefits for nature-based solutions for MPAs.

1.48 With the enactment of the legislation for control of plastic pollution and ban on release of balloons supported by the first operation, (see [OEL#4](#)), the challenge to address the impact of plastic waste lay in its implementation. In the second

¹⁰⁷ [SCB Annual Report](#).

¹⁰⁸ [DEPP](#).

¹⁰⁹ [Moriah-Harbour-Cay-National-Park-Management-Plan](#)

operation, in addition to the prohibition of the imports of single use of plastic, additional regulatory measures were enacted¹¹⁰ and the MoE has been actively enforcing the ban by collecting the banned products in drop-off sites as well as by confiscating them at the border and within the country.¹¹¹

- 1.49 In relation to the challenge of needing to have stronger measures to regulate and promote sustainable management practices in private sector activity, in the context of the second operation the DEPP now has the legal mandate to require Environmental Impact Assessments (EIA) and Environmental Management Plans (EMP) before any project starts, and enforces and issues fines for non-compliance, as the legal framework designed in the first operation is now in place.¹¹² The measures that require a MSME to adhere to environmental and social regulations and provide incentives for sustainable practices if it procures with the government, were drafted in the first operation, have been tabled in the House of Assembly as a condition of the second operation.
- 1.50 The first operation supported an action plan for economic diversification focusing on the blue economy, including a gender perspective, discussed with stakeholders to agree on priority areas. The second operation will support implementation of the priority areas that aim at promoting ocean-based activities under a sustainable framework and that were agreed with stakeholders. In this regard, activities related to the key milestones of the action plan, with a gender perspective (see [OEL#6](#)), have started.
- 1.51 The first operation supported the establishment of the policy for a new management regime for the use of the country's national resources. The second operation supports its implementation with the enactment of the Biological Resources and Traditional Knowledge Protection Bill. The challenge of having international researchers undertaking exploration and discoveries in territorial waters without sharing financial benefits with the country, has been addressed by the second operation with the passing of this legislation that requires permit registration for researchers, mutual agreements, and consents with authorities before any commercialization of genetic resources, as well as a centralized registration permit. To tackle the challenge of the need for strong coordination mechanisms in the Blue Economy, the Inter-Departmental Coordination group, that was created in the first operation, is now having regular meetings. Furthermore, new coordination mechanisms, such as the creation of the Fisheries Advisory Council (FAC) in charge of the coordination policies related to fisheries with other agencies, and the appointment of the National Fisheries Stakeholder Forum (NFSF) are included in the approved Fisheries Act, supported by the second operation.
- 1.52 **Pending challenges in the medium and long term.** Further development to improve the business climate are needed, as recognized by the PMDU, specifically in the areas of registering property, construction permits and access to credit, in addition to continued support to MSMEs to increase their digital capacities and strengthening the monitoring and evaluation system of the SBDC for informed

¹¹⁰ [Environmental Protection \(Control of Plastic Pollution\) Act, 2020.](#)

¹¹¹ [Single-use Plastics.](#)

¹¹² [EIA & EMP Guidelines.](#)

decision making. In the area of institutional framework for environmental resiliency, there is the need to implement management plans for the remaining three MPAS under BNT (See [OEL#11](#)). With the enactment of the Biological Resources and Traditional Knowledge Protection Bill, the issuing of new permits adheres to the new governance rules. These challenges are out of the scope of the PBP.

- 1.53 **Value added from the Bank and complementarity with other operations.** The Bank supported the process of improving the business climate by an in-depth analysis of the baseline and assessment of the impact of the new legislation in business climate and identifying new activities and lines of action. In addition, the Bank has been working closely with the government in activities related to economic diversification and is currently supporting this process with the technical cooperation “Support for Economic Diversification in The Bahamas” (ATN/CO-16734-BH), which developed a gap analysis and action plan for the Blue Economy and is supporting the implementation of the priorities identified in the consultation process with local key stakeholders (including developing management plans for Marine Protected Areas, and updating baseline data for the valuation of economic benefits of nature-based solutions). In addition, the Bank is supporting the strengthening of the monitoring and evaluation system of the SBDC for the Business Continuity Program. Besides, the Bank is working on a set of initiatives at the regional level to promote the Blue Economy from which lessons have been derived for this operation, such as: (i) marine prospection, valuation and strategic actions through “Unleashing New Avenues for Growth by tackling opportunities in the Blue Economy” (ATN/OC-17047-RG); (ii) supporting sustainability through the principles of “Blue and Circular Economy through the Development of Sustainable Islands Initiative” (ATN/MC-16236-RG; ATN/OC-16237-RG); (iii) promoting green innovation and innovative public procurement through “Regional Public Procurement Program to Advance Innovation and Private Sector Development in the Caribbean” (ATN/OC-17031-RG); and (iv) the development of a “Strategic Roadmap for the Blue Economy in Barbados” (ATN/CO-17589-BA) (see [OEL#7](#)).
- 1.54 This operation complements the projects: “Government Digital Transformation to Strengthen Competitiveness” (4549/OC-BH) as it address issues to improve the business climate by tackling a broader set of procedures for businesses and citizens interaction with the government; “Accelerate Bahamas” (ATN/ME-17694-BH) as it complements activities to support MSMEs and strengthening the SBDC, with a gender focus; the “Climate Resilient Coastal Management and Infrastructure Program” (4363/OC-BH) as it supports environmental resilience by financing infrastructure and institutional strengthening activities for coastal protection and risk management; the “Capacity Strengthening for a more Resilient Bahamas” (ATN/JF-17982-BH), that finances activities that support resiliency for eventual hazard events, including pandemics and the Contingent Loan for Natural Disaster Emergencies (4853/OC-BH), which as a part of the container operation BH-O0003, addresses vulnerability to natural disasters through the Comprehensive Natural Disaster Risk Management Program (see [OEL#7](#)).
- 1.55 **Donor coordination.** This program supports initiatives that complement the activities of the donor community under the Caribbean Biodiversity Fund (The Nature Conservancy, Global Environmental Facility; German Development Bank

– KfW; World Bank Group) regarding the promotion of MPAs and sustainable marine based research (e.g. Caribbean Challenge Initiative), with the Caribbean Development Bank (CDB) regarding the promotion of the Blue Economy (e.g. measuring the Blue Economy using national accounts and Blue Economy satellite accounts) and with the Global Environmental Facility (GEF) regarding the management of the 2020 commitment for MPAs and for adoption of an ABS regime.¹¹³ The IDB, IMF, the World Bank and the CDB regularly coordinates and shares information regarding macroeconomic and fiscal projections for The Bahamas, through technical dialogue.

1.56 **Strategic alignment.** The program is aligned with the Second Update of the Institutional Strategy (UIS) (AB-3190-2), through the development challenge of Productivity and Innovation by improving the business climate of firms in general and MSMEs in particular and the use of science and innovation to boost the Blue Economy; and through the cross-cutting issues of: (i) Climate Change and Environmental Sustainability, as the activities for economic growth are embedded in a strengthened institutional and legal framework for environmental sustainability. According to the [joint methodology of Multilateral Development Banks \(MDB\) approach on climate finance tracking](#), 70% of total IDB funding for this operation result in climate change mitigation and adaptation activities. This contributes to the IDBG's climate finance goal of 30% of combined IDB and IDB Invest operational approvals by year's end 2021; and (ii) Institutional Capacity and the Rule of Law, as it supports the creation and strengthening of the institutional framework for environmental resiliency. It will contribute to the IDB Group Corporate Results Framework 2020-2023 (GN-2727-12) with the following output indicators: (i) jobs supported; (ii) enterprises provided with technical assistance; (iii) habitat that is sustainably managed applying ecosystem-based approaches; and (iv) agencies with strengthened digital technology and managerial capacity. The program is consistent with the Innovation, Science, and the Technology Sector Framework (GN-2791-8), as it promotes science and technology for the proper use of marine resources; the Environment and Biodiversity Sector Framework (GN-2827-8), as it supports environmental resiliency and the strengthening of environmental institutions; the Climate Change Sector Framework (GN-2835-8), as the reforms contribute to climate change mitigation; and the Gender and Diversity Sector Framework (GN-2800-8), as the program for strengthening MSMEs focuses on women-led businesses. It is aligned with the strategic objectives of the IDB Group Country Strategy with The Commonwealth of The Bahamas 2018-2022 (GN-2920-1), by: (i) promoting innovation and innovative practices in traditional and nontraditional sectors; and (ii) to rationalize government regulation that hinder business registration, operation, and dispute resolution. Finally, the operation is included in the 2021 Operational Program Report (GN-3034).

1.57 **Gender considerations.** Some of the activities of the project will either directly or indirectly promote women's participation in the economy. By supporting the SBDC programs for MSMEs, that historically have 50% women beneficiaries, women will be provided with tools to close the gaps regarding technical skills. Taking in consideration the identified gap in the use of advanced digital applications, such as digital payments, the SBDC program aimed at promoting digital skills, innovative business models, digital business, and remote training tools will have

¹¹³ [GEF Meeting the challenges of 2020 in The Bahamas; Strengthening Access and Benefit Sharing \(ABS\).](#)

an explicit focus on female-led businesses. A simplified business registration, available on the Internet, as well as actions to strengthen MSMEs can benefit to a greater extent women-led firms, given that they are often of smaller size and younger age.¹¹⁴ Finally, the Action Plan for Economic Diversification focusing on the Blue Economy includes a gender perspective, granting equal women participation in consultations, considering gender differentiated impact of actions and supporting alternative livelihoods with the by-products of conch fishing, such as jewelry or construction materials.

B. Objective, components, and cost

- 1.58 **Objective.** The general objective of this operation is promoting competitiveness and environmental resiliency of The Commonwealth of The Bahamas. The specific objectives will be: (i) promoting MSMEs' business continuity and reducing administrative costs in the private sector for a more competitive business climate; and (ii) protecting natural resources, protecting the environment, and promoting scientific developments in the blue economy for better environmental resiliency.
- 1.59 **Component 1. Macroeconomic Sustainability.** The objective of this component is the maintenance of an appropriate Macroeconomic Policy Framework congruent with the program's objectives and in accordance with the provisions of the Policy Letter.
- 1.60 **Component 2. Strengthening and Modernizing the Regulatory Framework for a more Competitive Business Climate.** This component has two sets of reforms, each targeted to two different types of potential beneficiaries. The first group addresses some of the challenges that MSMEs currently face to conduct businesses in The Bahamas and the second group addresses some of the challenges that companies face to conduct businesses in the country. The second operation ([OEL#1](#)) maintains one condition (2.3.1), expands three conditions by including additional activities related to support MSMEs (support for technical and digital capacities), the improvement of protection of minority investors (introduction of an additional amendment) and the process of obtaining a business licence (introduces legal footing for the provisional business licence process) (2.1.1, 2.3.1 and 2.4.1); and adds a condition (2.1.2) related to the strengthening of the monitoring and evaluation system of the SBDC as follows:
- (i) Strengthening the business climate for MSME's by: (2.1.1) program to support MSMEs, providing services to MSMEs in areas such as innovative business models, digital business, remote training tools with a focus on female-led businesses¹¹⁵ and digital platforms in operation; (2.1.2) design of a strengthened monitoring system and an Impact Evaluation Plan for the SBDC Business Continuity Program started; and (2.2.1) the program for compliance with business licences and business registration including:

¹¹⁴ [Enterprise Formalization](#).

¹¹⁵ The program will be implemented considering the specific characteristics and needs of women entrepreneurs disseminating it through targeted channels and contemplating flexible curricula, schedules, and locations for digital trainings.

(i) informal businesses receiving support for registering; and (ii) new MSMEs registered in operation.

- (ii) Modernizing the business climate for companies in The Bahamas by: (2.3.1) further improve protection of minority stakeholders by approving: (i) the amendment of the Securities Industry Takeover Rules; and (ii) the amendment of the Securities Industries Governance rules; and (2.4.1) process of obtaining a business licence streamlined through: (i) enhancement of the digital platform for registering a business by the Department of Inland Revenue; (ii) enactment of the provisional business licence for low-risk companies (Provisional Licence Order); and (iii) amendment of the Business Licence Act.

1.61 **Component 3. Modernizing the Institutional Framework for Better Environmental Resiliency.** This component will promote a set of policies and reforms aimed at modernizing the institutional and regulatory framework to protect the environment and the natural resources in the country and to develop the Blue Economy sector, with the purpose of improving the environmental resiliency of the country. The conditions for the second operation are maintained, with minor changes in their wording to reflect with more precision the status of the implementation ([OEL#1](#)) as well as to reflect additional progress in relation to the conditions in the initial Policy Matrix. In this regard, one condition is maintained with no changes (3.7.1), 12 conditions required minor changes in the wording without affecting the objectives or scope of the condition, (3.1.1 and 3.2.1 to reflect accurately the operational status of the newly created institutions, 3.3.1 3.4.1, 3.5.1, 3.6.1, 3.8.1, 3.9.1, 3.10.1 and 3.13.1 involving precisions and additional progress on implementation, 3.11.1 and 3.12.1 reflecting the change of responsibilities to the DEPP and the update in the name of the Biological Resources and Traditional Knowledge Protection Bill to reflect the name in which it was tabled in Parliament. 3.14.1 is an additional condition related to the approval in Parliament of the Fisheries Bill that regulates aquaculture and commercial fishing including measures for sustainability, as well as provisions for management, data collection and scientific approaches to fisheries ([OEL#5](#)).

1.62 The first group of policies support the institutional reforms related to environmental and natural resources management and includes: (3.1.1) The Ministry of the Environment in operation, carrying out the functions assigned by the Ministry of the Environment Act; (3.2.1) The Department of Environmental Planning and Protection (DEPP) in operation, including: (i) the appointment of the Director; (ii) functional webpage; and (iii) regulations of the Environmental Planning and Protection Act drafted and consulted; (3.3.1) New structure of BNT including guidelines for governance, penalties and reporting submitted to the Office of the Attorney General; (3.4.1) Further improving the system for management of MPAs by:(i) the publication of annual report on activities of the Board to the Ministry; and (ii) the signature of a partnership agreement to increase sources of funding for the BPAF; (3.5.1) 43 new Marine Protected Areas approved by Cabinet, consultations started and four have initiated their management plans; and (3.6.1) Monitoring and Evaluation System strengthened by starting the process of updating baseline data for the valuation economic benefits for MPAs.

- 1.63 The second group of policies strengthens the regulatory framework to protect the environment and natural resources for environmentally sustainable growth by: (3.7.1) prohibition on single use of plastics, and on the release of balloons in effect; (3.8.1) Environmental Impact Assessment Regulations approved; and (3.9.1) Public Procurement Bill, that includes sustainable procurement practices to reduce adverse environmental impact tabled in the House of Assembly.
- 1.64 The third group of policies intends to promote scientific development of marine resources to develop the Blue Economy, enhancing scientific research and governance of marine resources by: (3.10.1) implementation of the six short-term priority areas of the Action Plan for Economic Diversification for the Blue Economy started, with a gender perspective; (3.11.1) Biological Resources and Traditional Knowledge Protection Bill which includes the implementation of the ABS regime approved in Parliament; (3.12.1) Policy on Proper Management of Marine Resources for Research and Innovation approved by the DEPP; (3.13.1) Inter-Departmental Blue Economy Coordination Group to coordinate national agencies with responsibilities for ocean affairs and marine resources in operation, including having periodic meetings; and (3.14.1) Fisheries Act enacted.

B. Key results indicators

- 1.65 The achievement of the first specific objective will be monitored and evaluated through two outcome indicators: the survival rate of MSMEs participating in the Business Continuity Program and the number of days for companies to obtain a business licence registration. Progress in these indicators should contribute to the improvement of the ease of doing business score and to the improvement of retention rate of workers of MSMEs participating in the business continuity program, that are set as the indicator to evaluate the achievement of the general objective of improving competitiveness. The achievement of the second specific objective will be monitored and evaluated through three outcome indicators: the annual contribution of nursery habitats in MPAs to spiny lobster catch, the value of annual imports of shopping plastic bags and containers per capita and the number of research permits issued to conduct scientific research on marine resources under ABS contracts/agreements. Improvements in these indicators should contribute to the achievement of the general objective of promoting environmental resiliency (approximated through the indicator of loss of annual income of inhabitants of areas influenced by MPAs avoided after MPA's habitats protection from coastal hazards).
- 1.66 **Beneficiaries.** Among the direct individual beneficiaries, the program will benefit a number of specific MSMEs participating in the SBDC programs recognized in the conditions of the program (such as the Business Continuity COVID-19 Relief Program¹¹⁶ or the program to support MSMEs with specialized services) and to several institutions strengthened by the reforms, in particular, the Ministry of the Environment, the Department of Environmental Planning and Protection, BNT and the Inter-Departmental Blue Economy Coordination group. The direct non-individual beneficiaries include: the population of MSMEs in general and the

¹¹⁶ Up to December 2020, 560 small businesses were approved for loan financing— representing US\$39.4 million in funding - or grants – representing US\$5.9 million in funding.

population of formal companies in general¹¹⁷ that will benefit from the reforms advanced to improve the climate to conduct private businesses; different actors of the Blue Economy sector¹¹⁸ that will benefit from the initiatives to promote its development; and the citizens of the country in general that will enjoy from the benefits of the marine protected areas (better natural barriers for environmental resilience and more sustainable fishing) and from the measures to control plastic pollution (that will reduce the contamination of marine spaces, reducing its consequences on the marine life and on the dependents of those resources).

- 1.67 **Economic evaluation.** Based on the recommendations of the Office of Evaluation and Oversight in its 2011 Evaluability Review of Bank Projects¹¹⁹ and on the findings of the review of evaluation practices and standards for policy-based loans by the Evaluation Cooperation Group (comprising the independent evaluation offices of the multilateral development banks)¹²⁰ anticipated in paragraph 1.3 of document GN-2489-5 (Review of the Development Effectiveness Matrix for Sovereign Guaranteed and Non-sovereign Guaranteed Operations), indicating that it would not be necessary to include an analysis of efficiency in the use of financial resources,¹²¹ it was decided that economic analyses would not be conducted for these types of loans as reported to the Bank's Board of Executive Directors. Therefore, this loan operation does not include an economic analysis, and accordingly, the economic analysis will not be considered for purposes of this program's development effectiveness matrix evaluability score.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation has been structured under the PBP modality and represents the second operation in a programmatic series consisting of two contractually independent and technically linked loans, pursuant to the stipulations in Policy-based Loans: Guidelines for Preparation and Implementation (CS-3633-2). The PBP is the appropriate policy-based loan instrument for the program as it will support the medium-term policies that promote resilient, environmentally sustainable growth and adapts to the changing policy needs of a dynamic environment.

¹¹⁷ [The 2018 SBDC's document "MSME Uncovered"](#) reports about 23 thousand registered companies, 98% are MSMEs.

¹¹⁸ Based on administrative records from the National Insurance Board, in 2019, 2,315 employees (of 127,920 in the country) worked in 245 firms (of 18,042 in the country) in 7 sectors (at 4 digits ISIC level) related to the Blue Economy (marine fishing, freshwater fishing, building of ships and floating structures, building of pleasure and sporting boats, sea and coastal passenger water transport, sea and coastal freight water transport and service activities incidental to water transportation).

¹¹⁹ Document RE-397-1: "Currently, Economic Analysis section is computed as the maximum between the cost-benefit analysis and the cost-effectiveness analysis. Yet neither a cost-benefit analysis nor a cost-effectiveness analysis is applicable to Policy-Based Loans and Programmatic Policy-Based Loans."

¹²⁰ [Evaluation Cooperation Group, 2012.](#)

¹²¹ According to the Evaluation Cooperation Group, Programmatic Policy-Based Loans should be evaluated based on relevance, effectiveness, and sustainability. Efficiency is not included as a criterion, since the scope of the PBLs is linked to a country's financing gap, regardless of the benefits of the project.

- 2.2 **Dimension.** The financing is US\$140 million from the Ordinary Capital. The amount is justified since The Bahamas broad need for fiscal resources as per Policy-based Loans: Guidelines for Preparation and Implementation (CS-3633-2) (paragraph 3.27(b)). The public sector's financial requirements for FY2020/21 are estimated at US\$2.0 billion and external financing for 2020 at US\$2.1 billion. This operation represents 7.1% and 6.7% of those requirements, respectively and 19.2% of all multilateral funding.¹²²

B. Environmental and social safeguard risks

- 2.3 According to Directive B.13 of the Environmental and Safeguards Compliance Policy (OP-703), this Program does not require ex-ante impact classification. This operation supports the definition of policies, norms, management instruments and other institutional strengthening actions for which are expected to have positive effects on the environment and natural resources are expected. During the preparation and execution of the program, the government, under national regulations, is required to conduct public consultation which will help address and manage potential social issues which may arise regarding the establishment of MPAs. Interventions in future MPA management will require further capacity building, stakeholder engagement and consultations.

C. Fiduciary risk

- 2.4 No fiduciary risks associated with this operation have been identified. The funds will be deposited directly in the Treasury Single Account to cover the federal government's financing requirements. The executing agency has the necessary financial management and control systems for that purpose. The funds will be disbursed once the conditions established in the loan contract have been fulfilled.

D. Other risks and key issues

- 2.5 **Other risks.** A risk analysis workshop was held with the participation of key stakeholders involved and these risks were updated as the project evolved. One medium-high risk was identified: (i) institutional - If the data needed to quantify the impact on the MSME programs is not collected in a systemic manner, the evaluability and impact of the policies included in the program could not be assessed correctly. This will be mitigated by providing technical support in terms of expertise to strengthen the monitoring and evaluation system of the SBDC.
- 2.6 **Sustainability.** The programmatic series was prepared in the context in which the Government of The Bahamas was engaging into an important series of reforms toward promoting economic growth in a sustainable and resilient manner, as reflected in the National Development Plan Bahamas 2040 and in the Economic Recovery Committee Report. These reforms acquired more relevance with the COVID pandemic, including environmental sustainability elements into the economic recovery programs, for example by providing incentives for firms that procure with the government to engage into sustainable practices, by regulating

¹²² This includes a; US\$140 million PBL with the IDB; and US\$20 million from the COVID-19 health prototype. US\$40 million health loan with the IDB; and US\$40 million in PBLs from the CDB and US\$100 million loan from the World Bank (in preparation). These are the approved and prospective multilateral operations running between January 2020 and June 2021.

private sector activity that may have environmental impacts, and by supporting digital capacities in MSMEs. The program promotes sustainability with coordination mechanisms and the technical strengthening of the institutions such as the Ministry of the Environment, the SBDC and the BNT. The legal and regulatory reforms supported reflect the commitment of the government with the objectives of the program and have been widely discussed and consulted with the relevant stakeholders.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 The borrower is The Commonwealth of The Bahamas and the executing agency is the Ministry of Finance (MoF). The MoF will act as an executing agency and will have the following responsibilities: (i) provide evidence that policy commitments have been fulfilled, along with any other program-related evidence that the Bank needs to approve the respective disbursements; (ii) support the actions required for continuity in program implementation; and (iii) once the program resources have been disbursed, gather the information on performance indicators needed to evaluate program outcomes.
- 3.2 **Coordination mechanisms.** The program has three coordination mechanisms. The MoF, through its Economic Unit, will ensure the strategic coordination with the institutions involved in the different policy measures included in the program. The PMDU coordinates all the activities related to business climate, maintaining dialogue with private stakeholders, and establishing priorities. Finally, the government established the Inter-Departmental Blue Economy Coordination Group - that includes public, private, academic, NGOs and civil society involved in the promotion of the Blue Economy, spearheaded by the MoAMR. The Group articulates the activities to promote the governance and use of marine resources, by sharing information on existing initiatives, establishing common priorities, and coordinating actions in the area.
- 3.3 **Special Contractual Clause prior to the Single Disbursement of the PBP.** The single disbursement of loan resources will be subject to the Borrower's compliance with the policy conditions of this second operation summarized in the Policy Matrix (Annex II), and the [Policy Letter](#), as well as the compliance with the conditions contained in the Loan Contract.

B. Summary of arrangements for monitoring results

- 3.4 **Monitoring.** Program monitoring is defined as verification of the policy measures agreed to as conditions (see [REL#2](#)). In addition, monitoring is provided for the outcomes of these reforms and policies at the program level through the indicators of the results matrix. Specific arrangements have been made to secure the assessment of follow up lines of all outcomes (see [Monitoring and Evaluation Plan](#)).
- 3.5 **Evaluation.** The methodologies proposed for the evaluation of the program are quantitative with and without causal attribution analysis. The calibration of the

Integrated Valuation of Ecosystem Services and Tradeoffs (InVEST) coastal vulnerability model and the InVEST fisheries production model will be used to evaluate the effects of the policies supported by the program to promote environmental resiliency and protect natural resources. A Double Difference with common support will be used to evaluate the effectiveness of the MSMEs Business Continuity COVID-19 Program. Both exercises (the calibration of the InVEST model and the impact evaluation of the SBDC Business Continuity Program) are important contributions to strengthen the M&E capacities of the country on the topics addressed by this program and will be designed and implemented with already committed technical cooperation resources. For all the other outcome indicators included in the results framework of the program, the evaluation of effectiveness of the reforms will be based on before and after comparisons. The results of these evaluations will be included as part of the Project Completion Report (PCR) covering both programmatic operations at the end of the second operation, following Bank guidelines (OP-1242-5) (see [Monitoring and Evaluation Plan](#)).

IV. POLICY LETTER

- 4.1 The [Policy Letter](#) reiterates the commitment of the government to the policy reform measures that The Bahamas has proposed to implement to meet the program objectives. Additionally, the Bank and the Government of The Commonwealth of The Bahamas agreed on a Policy Matrix that identifies the policy actions under this operation.

Development Effectiveness Matrix		
Summary		BH-L 1052
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Productivity and Innovation -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Jobs supported (#) -Enterprises provided with technical assistance (#) -Habitat that is sustainably managed applying ecosystem-based approaches (ha) -Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2920-1	(i) to promote innovation and innovative practices in traditional (e.g. sustainable tourism); nontraditional (e.g. agroindustry, Blue Economy and manufacturing sectors; and (ii) to rationalize government regulations that hinder business registration, operation and dispute resolution.
Country Program Results Matrix	GN-3034	The intervention is included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		7.0
3.1 Program Diagnosis		1.3
3.2 Proposed Interventions or Solutions		1.9
3.3 Results Matrix Quality		3.8
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Medium Low	
Environmental & social risk classification	B.13	
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget.
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	Yes	The design and implementation of the operation was supported with the technical cooperation ATN/CO-16734- BH, Support for Economic Diversification in The Bahamas

Evaluability Assessment Note: The project "Boosting resilient and inclusive growth in the Bahamas II (BH-L1052)" is the second of two operations in a programmatic policy-based loan series (PBP) that has, as a general objective, promoting competitiveness and environmental resiliency of The Commonwealth of The Bahamas. The specific objectives are: (i) promoting MSMEs' business continuity and reducing administrative costs in the private sector for a more competitive business climate; and (ii) protecting natural resources, protecting the environment and promoting scientific developments in the Blue Economy for better environmental resiliency.

This operation builds on the work of the first loan in the series, which identified certain aspects of the business environment such as barriers to the formation of new firms through excessive regulation and high costs of registration, as well as the lack of protection of minority investors, as some of the key problems it will address. In addition, it will attempt to address the Bahamas' exposure to climate and weather shocks, as well as the lack of coordination of government agencies in charge of environmental issues, with the aim of improving growth prospects through increased competitiveness and environmental resilience. The detrimental effects of the poor business climate and vulnerability to environmental shocks are further compounded by the COVID pandemic, the effects of which have been especially adverse given the reliance on tourism and imports, and are expected to cause an even greater contraction in GDP than forecast at the time of the first operation. However, the diagnostic lacks a quantification of the determinants of some of the identified problems, in particular in the context of the Bahamas.

In order to achieve its objectives, the program relies on three components, which focus on maintaining macroeconomic stability, strengthening and modernizing the regulatory framework for a more competitive business climate, and modernizing the institutional framework for better environmental resiliency. The program has SMART indicators to measure the achievement of general end specific objectives, as well as to monitor the implementation of the products to be generated during the program. In the case of the specific objective indicators, however, the targets are not fully supported by empirical evidence.

There is a lack of relevant evidence for the effectiveness of this type of programs in the region. For the component related to the business climate and continuity (Component II), the team proposes to conduct an impact evaluation using a non-experimental methodology (DiD with matching), which is rare for a policy-based loan. The part of the program focusing on environmental resiliency (Component III) will be evaluated with a simulation model. The M&E plan also includes a budget for the monitoring of all the indicators.

POLICY MATRIX

The general objective of this operation is promoting competitiveness and environmental resiliency of The Commonwealth of The Bahamas. The specific objectives will be: (i) promoting MSMEs' business continuity and reducing administrative costs in the private sector for a more competitive business climate; and (ii) protecting natural resources, protecting the environment, and promoting scientific developments in the Blue Economy for better environmental resiliency.

Components/ Policy Objectives	Policy Conditions Programmatic I	Policy Conditions Programmatic II	State of Compliance with Policy Conditions Programmatic II ¹
Component 1. Macroeconomic Sustainability			
Maintain a stable macroeconomic environment consistent with the program's objectives.	1.1 Maintenance of an appropriate Macroeconomic Policy Framework congruent with the Program's objectives and in accordance with the provisions of the Policy Letter.	1.1.1 Maintenance of an appropriate Macroeconomic Policy Framework congruent with the Program's objectives and in accordance with the provisions of the Policy Letter.	1.1.1 Fulfilled
Component 2. Strengthening and Modernizing the Regulatory Framework for a more Competitive Business Climate			
A. Strengthening the business climate for MSMEs	2.1. Business Continuity Program (MSME COVID-19 relief) for MSMEs, providing financial support for eligible MSMEs in operation.	2.1.1 Program to support MSMEs, providing services to MSMEs in areas such as innovative business models, digital businesses, remote training tools with a focus on female-led businesses and digital platforms in operation.	2.1.1 Fulfilled (Q4 2020)

¹ This information is merely indicative as of the date of this document. As set forth in document CS-3633-2 (Policy-based Loans: Guidelines for Preparation and Implementation), compliance with all the conditions specified for disbursement, including the maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank at the time of the request for the corresponding disbursement made by the Borrower and duly reflected in the Disbursement Eligibility Memorandum.

Components/ Policy Objectives	Policy Conditions Programmatic I	Policy Conditions Programmatic II	State of Compliance with Policy Conditions Programmatic II ¹
		2.1.2 Design of a strengthened monitoring system and an Impact Evaluation Plan for the SBDC Business Continuity Program, started.	2.1.2 Fulfilled (Q2 2021)
	2.2 Program for compliance with business licences and business registration for MSMEs approved by the SBDC started.	2.2.1 Program for compliance with business licences and business registration including: (i) informal businesses receiving support for registering; and (ii) new MSMEs registered in operation.	2.2.1 Fulfilled (Q4 2020)
B. Modernizing the business climate for companies in The Bahamas	2.3 Improve protection of minority stakeholders by strengthening the transparency and governance of capital markets by approving: (i) The Amendment of the Companies Act. (ii) The Securities Industries Governance rules.	2.3.1 Further improve protection of minority stakeholders by approving: (i) the amendment of the Securities Industry Takeover Rules; and (ii) the amendment of the Securities Industries Governance rules.	2.3.1 Fulfilled (Q3 2020)
	2.4 Process of obtaining a business licence streamlined through: (i) Rolling out of provisional business licence for low risk companies.	2.4.1 Process of obtaining a business licence streamlined through: (i) enhancement of the digital platform for registering a business by the Department of Inland Revenue; (ii) enactment of the provisional business licence for low-risk companies (Provisional Licence Order) and (iii) amendment of the Business Licence Act.	2.4.1 Fulfilled (Q3 2020)

Components/ Policy Objectives	Policy Conditions Programmatic I	Policy Conditions Programmatic II	State of Compliance with Policy Conditions Programmatic II ¹
Component 3. Modernizing the Institutional Framework for Better Environmental Resiliency			
A. Strengthening the institutions in charge of The Bahamas' environment and natural resources	3.1 Approval of the Ministry of Environment Bill for the creation of the Ministry of Environment.	3.1.1 Ministry of the Environment in operation, carrying out the functions assigned by the Ministry of the Environment Act.	3.1.1 Fulfilled (Q3 2020)
	3.2 Enactment of the Environmental Planning and Protection Act that creates the Department of Environmental Planning and Protection.	3.2.1 Department of Environmental Planning and Protection (DEPP) in operation, including: (i) the appointment of the Director; (ii) functional webpage; and (iii) regulations of the Environmental Planning and Protection Act drafted and consulted.	3.2.1 Fulfilled (Q3 2020)
	3.3 Amendment of the Bahamas National Trust Bill that strengthens the structure and governance of MPA management.	3.3.1 New structure of The Bahamas National Trust including guidelines for governance, penalties, and reporting submitted to the Office of the Attorney General.	3.3.1 Fulfilled (Q1 2021)
	3.4 Strengthening environmental resiliency by improving the system for management of MPAs by the Amendment of the Protected Areas Fund Bill.	3.4.1 Further improving the system for management of MPAs by: (i) the publication of annual report on activities of the Board to the Ministry; and (ii) the signature of a partnership agreement to increase sources of funding for the Bahamas Protected Areas Fund (BPAF).	3.4.1 Fulfilled (Q4 2020)
	3.5 Submission to Cabinet of the proposal for the establishment of 43 Marine Protected Areas.	3.5.1 43 new Marine Protected Areas approved by Cabinet, consultations started and 4 have initiated their management plans.	3.5.1 Fulfilled (Q1 2021)

Components/ Policy Objectives	Policy Conditions Programmatic I	Policy Conditions Programmatic II	State of Compliance with Policy Conditions Programmatic II ¹
	3.6 Monitoring and Evaluation System in place in the BPAF.	3.6.1 Monitoring and Evaluation System strengthened by starting the process of updating baseline data for the valuation of economic benefits for MPAs.	3.6.1 Fulfilled (Q2 2021)
B. Strengthening the regulatory framework to protect the environment and natural resources	3.7 Enactment of the Environmental Protection (Control of Plastic Pollution) Act.	3.7.1 Prohibition on single use of plastics, and on the release of balloons in effect.	3.7.1 Fulfilled (Q3 2020)
	3.8 Procedures for Environmental Impact Assessment drafted by the Ministry of Environment.	3.8.1 Environmental Impact Assessment Regulations approved.	3.8.1 Fulfilled (Q3 2020)
	3.9 Public Procurement Bill that allows for the government to develop sustainable procurement practices to reduce adverse environmental impact submitted to Cabinet.	3.9.1 Public Procurement Bill, that includes sustainable procurement practices to reduce adverse environmental impact tabled in the House of Assembly.	3.9.1 Fulfilled (Q1 2021)
C. Promoting scientific development of marine resources to develop the Blue Economy	3.10 Action Plan for Economic Diversification focusing on the Blue Economy drafted, including the gender perspective, discussed with stakeholders and priority areas agreed.	3.10.1 Implementation of the six short-term priority areas of the Action Plan for Economic Diversification for the Blue Economy started, with a gender perspective.	3.10.1 Fulfilled (Q1 2021)
	3.11 The Biological Diversity and Conservation Bill drafted and consulted with stakeholders.	3.11.1 Biological Resources and Traditional Knowledge Protection Bill, which includes the implementation of the ABS regime, approved in Parliament.	3.11.1 Fulfilled (Q1 2021)

Components/ Policy Objectives	Policy Conditions Programmatic I	Policy Conditions Programmatic II	State of Compliance with Policy Conditions Programmatic II ¹
	3.12 Commissioning of the preparation of the Policy on Proper Management of Maritime Resources for Research and Innovation.	3.12.1 Policy on Proper Management of Marine Resources for Research and Innovation approved by the DEPP.	3.12.1 Fulfilled (Q4 2020)
	3.13 Inter-Departmental Blue Economy Coordination Group (to coordinate national agencies with responsibilities for ocean affairs and marine resources) established by the Ministry of Agriculture and Marine Resources submitted to Cabinet.	3.13.1 Inter-Departmental Blue Economy Coordination Group to coordinate national agencies with responsibilities for ocean affairs and marine resources in operation, including having periodic meetings.	3.13.1 Pending (Q2 2021)
		3.14.1 Fisheries Act enacted.	3.14.1 Fulfilled (Q4 2020)

RESULTS MATRIX

Project's Objective:	The general objective of this operation is promoting competitiveness and environmental resiliency of The Commonwealth of The Bahamas. The specific objectives will be: (i) promoting MSMEs' business continuity and reducing administrative costs in the private sector for a more competitive business climate; and (ii) protecting natural resources, protecting the environment, and promoting scientific developments in the Blue Economy for better environmental resiliency.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of Measurement	Base Line Value	Baseline Year	Expected Year for Achievement	Target	Means of Verification	Comments
General development objective: Promoting competitiveness and environmental resiliency of The Commonwealth of The Bahamas							
1 Ease of doing business score	Index	59.9	2019	2024	60	World Development Indicators (The World Bank)	M&E Plan
2 Average retention rate of workers of MSMEs participating in the business continuity program (difference vis a vis the average for control units)	difference in rate	0	2019	2024	5	Administrative records of the National Insurance Board and the SBDC	M&E Plan
3 Loss of annual income of inhabitants of areas influenced by MPAs avoided after MPA's habitats protection from coastal hazards	US\$ millions	800	2017	2024	825	Economic Valuation of Ecosystem Services in Bahamian Marine Protected Areas	M&E Plan

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measurement	Base line value	Base line year	End of project	Target	Means of Verification	Comments
Specific development objective 1: Promoting MSMEs' business continuity and reducing administrative costs in the private sector for a more competitive business climate							
1 Average survival rate of MSMEs participating in the business continuity program (difference vis a vis the average for control units)	difference in rate	0	2020	2022	8	Administrative records of the National Insurance Board and the SBDC	M&E Plan
2 Number of days to obtain a business license registration	Days	29	2019	2024	5	Key Performance Indicators of the Delivery Unit of the Prime Minister	M&E Plan
Specific development objective 2: Protecting natural resources, protecting the environment, and promoting scientific developments in the Blue Economy for better environmental resiliency							
1 Annual contribution of nursery habitats in MPAs to spiny lobster catch	Millions of pounds	5.6	2017	2024	5.75	Economic Valuation of Ecosystem Services in Bahamian Marine Protected Areas	M&E Plan
2 Value of Annual Imports of shopping plastic bags and containers per capita	US\$	29.38	2018	2024	20	Customs administrative records	M&E Plan
3 Number of research permits issued to conduct scientific research on marine resources under ABS contracts/agreements	Permits	0	2020	2024	10	Research and Bioprospecting Permitting System	M&E Plan

OUTPUTS

Indicators	Unit of Measurement	Baseline value	Base line Year	2021	End of Project	Means of Verification	Responsible Entity
Component 2. Strengthening and Modernizing the Regulatory Framework for a more Competitive Business Climate							
2.A. Strengthening the Business Climate for MSMEs							
2.1.1 Program to support MSMEs providing services to MSMEs in areas such as innovative business models, digital businesses remote training tools, with a focus on female-led businesses ¹ and digital platforms, in operation ²	# of operational programs	0	2020	1	1	Official Report from the SBDC	SBDC
2.1.2 Design of a strengthened monitoring system and an impact evaluation plan for the SBDC Business Continuity Program started ³	# of started designs	0	2020	1	1	Official Report from the SBDC	SBDC
2.2.1 Program for compliance with business licences and business registration for MSMEs including: (i) informal businesses receiving support for registering; and (ii) new MSMEs registered, in operation ⁴	# of approved and started programs	0	2020	1	1	Official Report from the SBDC	SBDC
2.B. Modernizing the business climate for companies in The Bahamas							
2.3.1.1 Amendment of the Securities Industry Takeover Rules to further improve the protection of minority stakeholders, approved ⁵	# of approved amendments	0	2020	1	1	Amendment of the Securities Industry Takeover Rules (Gazette S.I No 53 of 2020)	MoF
2.3.1.2 Amendment of the Securities Industries Governance rules to further improve the protection of minority stakeholders, approved ⁴	# of approved amendments	0	2020	1	1	Amendment of the Securities Industries Governance Rules (Gazette S.I No. 54 of 2020)	MoF

¹ The program will be implemented taking into consideration the characteristics and specific needs of female firm owners during the promotion of the program, for example, by using appropriate dissemination channels, with flexible schedules, locations and mechanisms for the digital training of these beneficiaries.

² “In operation” indicates that the program has already treated some beneficiaries.

³ “Started” indicates that the program has already: (i) facilitated inputs to process information at baseline for beneficiaries of the program and (ii) conducted a preliminary merge with administrative records to confirm that it is possible to measure business continuity and employment retention rates in follow up lines.

⁴ “In operation” indicates that the program has already provided support to existing informal firms and new MSMEs to get registered.

⁵ “Approved” indicates that the amendment was legally approved and officially published.

Indicators	Unit of Measurement	Baseline value	Base line Year	2021	End of Project	Means of Verification	Responsible Entity
2.4.1.1 Digital platform for registering a business by the Department of Inland Revenue enhanced ⁶ in order to streamline the process to obtain a business licence	# of enhanced digital platforms	0	2020	1	1	Official report from MoF	MoF
2.4.1.2 Provisional License Order for low-risk companies enacted in order to streamline the process to obtain a business licence	# of enacted orders	0	2020	1	1	Provisional License Order	MoF
2.4.1.3 Business Licence Act amended in order to streamline the process to obtain a business license	# of amended acts	0	2020	1	1	Official report from the MoF	MoF
Component 3. Modernizing the Institutional and Regulatory Framework for Better Environmental Resiliency							
3.A. Strengthening the institutions in charge of The Bahamas's environment and natural resources							
3.1.1. Ministry of Environment in operation ⁷	# of Ministries operating	0	2020	1	1	Letter from the MoF	MoF
3.2.1 Department of Environmental Planning and Protection in operation ⁸	# of created Departments	0	2020	1	1	Letter from the DEPP	MoE
3.3.1 New structure of The Bahamas National Trust submitted to the Office of the Attorney General, including guidelines for governance, penalties, and reporting	# of submitted new structures of Trust Funds	0	2020	1	1	Official Communication from the BNT	MoE/BNT
3.4.1.1 Annual report on activities of the Board of the BPAF to the Ministry published	# of reports published	0	2020	1	1	Annual report from the BPAF	BPAF
3.4.1.2 Partnership agreement to increase sources of founding for the BPAF, signed	# of signed agreements	0	2020	1	1	Official communication from the BPAF indicating partnership agreement has been signed	BPAF
3.5.1.1 Marine Protected Areas approved by Cabinet	# of MPA approved	0	2020	43	43	Official Communication from the MoF	MoE/Ministry of Agriculture and Marine Resources

⁶ "Enhanced" indicates that the online application process with different government entities has been consolidated.

⁷ "In operation" indicates that the ministry is carrying out the functions assigned by the Ministry of the Environment Act.

⁸ "In operation" indicates that the Department must have (i) appointed the Director; (ii) enacted a functional webpage; and (iii) drafted and consulted regulations from the Environmental Planning and Protection Act.

Indicators	Unit of Measurement	Baseline value	Base line Year	2021	End of Project	Means of Verification	Responsible Entity
3.5.1.2 Marine Protected Areas approved by Cabinet that started ⁹ their management plans	# of approved MPA with started management plans	0	2020	4	4	Official Communication from the MoF	MoE/Ministry of Agriculture and Marine Resources
3.6.1 Monitoring and Evaluation System strengthened by starting the process of updating baseline data for the valuation of economic benefits for MPAs ¹⁰	# of protocols	0	2020	1	1	Letter from the BNT sending the evidence that the baseline updating has started.	BNT
3.B. Strengthening the regulatory framework to protect the environment and natural resources							
3.7.1 Prohibition on single use of plastics and on the release of balloons in effect	# of Acts in effect	0	2020	1	1	Official Report from the MoE	MoE
3.8.1 Environmental Impact Assessment Regulations approved	# of approved procedures	0	2020	1	1	Extension Order No. 149 of 2020 from the MoE	MoE
3.9.1 Public Procurement Bill, that includes sustainable procurement practices to reduce adverse environmental impact tabled in the House of Assembly	# of tabled Bills	0	2020	1	1	Official Communication from the MoF	MoF
3.C. Promoting scientific development of marine resources to develop the Blue Economy							
3.10.1 Short-term priority areas of the Action Plan for Economic Diversification for the Blue Economy with implementation started and including a gender perspective ¹¹	# of short-term priority areas that started implementation	0	2020	6	6	Official Communication from the MoAMR	MoAMR
3.11.1 Biological Resources and Traditional Knowledge Protection Bill, which includes the implementation of the ABS regime, approved	# of approved Bills	0	2020	1	1	Official communication from the DEPP	DEPP

⁹ "Started" indicates that the BNT has contracted the consultancy services to develop the management plans.

¹⁰ "Strengthened" indicates the updating of baseline data for the valuation of economic benefits for nature-based solutions for MPAs

¹¹ "Implementation started" indicates that specific actions detailed in [OEL#12](#) were carried out per each short-term priority area.

Indicators	Unit of Measurement	Baseline value	Base line Year	2021	End of Project	Means of Verification	Responsible Entity
						with evidence of approval in Parliament	
3.12.1 Policy on Proper Management of Maritime Resources and Innovation approved by DEPP	# of approved policies	0	2020	1	1	Official communication from the DEPP with evidence of approval of Policy	DEPP
3.13.1 Inter-Departmental Blue Economy Coordination Group in operation ¹²	# of operative coordination groups	0	2020	1	1	Official communication from the MoAMR	MoAMR
3.14.1 Fisheries Act enacted	# of approved bills	0	2020	1	1	Fisheries Act approved and gazzeted	MoAMR

¹² "In operation" indicates that meetings of the group have started.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/21

Bahamas. Loan ____/OC-BH to The Commonwealth of The Bahamas
Boosting Resilient and Inclusive Growth in The Bahamas II

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, 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, for the purpose of granting it a financing to cooperate in the execution of the project "Boosting Resilient and Inclusive Growth in The Bahamas II". Such financing will be for the amount of up to US\$140,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ____ 2021)