

Technical Cooperation (TC) Abstract

I. BASIC INFORMATION

▪ Country:	Commonwealth of the Bahamas (BH)
▪ Title of the TC:	Strengthening Institutional Capacity of the Prime Minister's Office
▪ Number of the TC:	BH-T1034
▪ Project Team:	Mariano Lafuente, Team Leader; Jorge von Horoch, Robert Pantzer (IFD/ICS); Gerardo Reyes (IFD/FMM); Emmanuel Abuelafia (CCB/CCB); Wilshire Bethel (CCB/CBH); TBD (LEG/SGO) and Melissa Gonzalez (IFD/ICS).
▪ TC type	Client services
▪ Request letter (# IDBDOCS)	In Progress - Link to be provided
▪ Date of TC abstract:	February 2013
▪ Beneficiary:	Government of the Commonwealth of the Bahamas
▪ Executing agency:	IDB – IFD/ICS
▪ Financing requested to the Bank:	US\$ 450,000
▪ Local counterpart (in kind):	To be determined
▪ Execution and disbursement period:	30 months for execution and 36 months for disbursement
▪ Start date:	April 1, 2013
▪ Consultancy type:	Individuals and firms
▪ Preparing unit:	IFD/ICS
▪ UDR:	IFD/ICS
▪ TC included in the Country Strategy:	Yes
▪ TC included in the CPD:	Yes
▪ Priority sector in GCI-9:	Institutions for Growth and Welfare

II. OBJECTIVES AND JUSTIFICATION OF THE TC

Justification. The Bahamas has lacked a comprehensive and publicly discussed long-term strategy for the country's economic development since its independence. Without this strategy, the prioritization of policies, programs and investment projects has most times been made on an *ad hoc* basis, and has tended to be vulnerable to short-term political pressures and individual agendas by line ministries. This has led to institutional fragmentation as well as to inefficiencies and inconsistencies in investment decisions with each change of administration, as authorities lack objective justifications to reject non-priority projects. This issue has been raised by different stakeholders and the media, in particular in the last few years.¹

This weak planning performance in practice mirrors the country's institutional and legal framework for this key function. At present, there is no legal framework that provides and regulates the strategic planning of government activity. While efforts in a few sectors have been made for medium-term strategies, such as Education and Health, they have been isolated and have not been articulated into a national development strategy, nor translated into annual operational plans or integrated with the budget process.

The Progressive Liberal Party, in power since May 2012, announced in its Charter for Governance its intention to “place greater emphasis on planning” (PLP, 2012, p. 59). The report also stated that “[...] we cannot think only five years at a time. A true national development plan reflects a vision for The Bahamas of the future. [...] The PLP will govern on the basis that

¹ See for example: The Bahamas Investor (2012), [Meeting spurs public-private economic debate](#); Frazer, D. (2012), [A Call for a National Economic Plan](#); Sears, A. (2011) [2011/2012 Budget Contribution in Bahamas National](#); Rigby, R. (2008), [A Blueprint for the Future of the Commonwealth of the Bahamas](#)

arbitrary policies are a hindrance to national development.” (PLP, 2012 – p.19 and p.47, respectively).

During a recent IDB technical mission in December 2012, the Prime Minister indicated his decision of providing the Minister of State for Investments –within the Prime Minister’s Office (PMO)–with the mandate of leading the preparation of a long-term National Economic Development Strategy. This strategy would be prepared with participation from and validation by the Bahamian citizens, the private sector and the opposition, to ensure the level of ownership needed to transcend the current administration and serve as a road map for informing public and private investment decisions and policy-making going forward.² Due to the lack of experience in The Bahamas in the preparation of economic development strategies and the limited capacity of the PMO to do so, the Government has requested the Bank’s support for this process.

In addition, the Bahamian Investment Authority (BIA), an agency reporting to the PMO and presided by the Minister for Investments, is in charge of evaluating all investment projects. The BIA currently follows a mainly administrative check list rather than undertaking a cost-benefit analysis or calculating financial or social internal rates of return, and projects are not evaluated against any kind of economic development plan. The BIA’s assessment is later sent to the National Economic Council (NEC), headed by the Prime Minister, for approval. Thus, decisions are made with very limited data and on a case by case basis.

In line with its efforts to enhance the planning function, the Government has indicated its intention to create an Economic Development and Planning Unit (EPU) within the PMO. This unit would have the mandate, organizational structure, staffing and capacity to carry out effective feasibility and impact assessments of all investment projects including FDI, private and public sector. In addition, the unit would ensure the alignment of all prioritized projects with the National Economic Development Strategy. To do this, The Bahamas has requested the Bank’s support to incorporate good practices from similar institutions in other small states into the design phase, as well as institutional strengthening activities for the new unit.

Objective. The general objective of this TC is to strengthen the institutional capacity of the PMO within the Government of The Bahamas through enhancing its long-term development planning and investment project assessment functions. The specific objectives are: (i) to strengthen the capacity of the Ministry of Investments to carry out a long-term National Economic Development Strategy, and (ii) to enhance the PMO’s capacity for assessing the impact of investment projects and their alignment to the National Economic Development Strategy.

² This priority is reflected in different statements by high level officials in the past few months. For example the Minister for Investments, The Honourable Khaalis Rolle stated recently in the article [Blueprint for Economic Recovery](#), in The Bahamas Journal on September 28, 2012: “ I don’t know if The Bahamas since 1967 has sat down and developed a long term economic strategy for the development of this country’ [...] Minister Rolle stressed that this is a national strategy that will need all stakeholders on board. He said this includes the Opposition. “Our approach is to make sure that it is entwined in what we do so that the people make the decision that long-term they want to see this economy develop and that there is a concrete strategy in place. We are going to sit down and talk to all the stakeholders and to prepare a plan like this is probably going to cost us around \$250,000 but that is nothing compared to what we are going to get out of it.” The general strategy, in turn, would be operationalized through sector strategies and annual operational plans per sector.

Alignment with Bank Priorities and operations: Enhancing public management, and in particular the planning function, is one of the proposed pillars in the 2013-2017 Country Strategy with The Bahamas under preparation. The TC is included in the Country Programming Document for The Bahamas and directly contributes to the fulfillment of the Bank's GCI-9 goals of strengthening institutional capacity for growth and welfare, as well as supporting small and vulnerable countries. The proposal is aligned to the Institutional Capacity Strengthening Fund's Dimension II, Management and Internal Organization, as it aims to improve a key country system such as strategic planning, and increasing investment returns of public expenditures. Finally, the proposal is closely aligned to the Fiscal Consolidation Programmatic Loan (BH-LXXXX) under preparation, which includes as one of its policy areas the strengthening of the strategic planning function.

III. DESCRIPTION OF THE ACTIVITIES AND PRODUCTS

Component 1. Enhancing PMO's capacity to prepare a National Economic Development Strategy and institutionalize the planning function in The Bahamas. Technical assistance for the preparation of a long-term National Economic Development Strategy, expected to act as a road map for key decisions on investments and policy making. This plan, to be led by a consulting firm with participation of a working group with staff from BIA and the PMO which will receive on-the-job training, is expected to include a broad consultation process that reflects the views of the Bahamians, including the private sector, and to incorporate lessons learned from international experiences. Activities would also include strengthening the institutional capacity of the PMO to support the preparation, communication, implementation, update and monitoring and evaluation of the plan, and on-the-job training activities for government officials from line ministries to support the preparation of medium-term sector strategies, which would derive from the long-term National Economic Development Strategy. The component would also finance the preparation of a draft policy document for institutionalizing the planning function in The Bahamas' public sector.

Component 2. Enhancing PMO's decision-making capacity for investment projects. Technical assistance for the design and implementation of a revised institutional framework to assess investment projects (design of the Economic Development and Planning Unit within PMO). The framework will establish the foundation for a modern investment system to ensure that projects are: (a) selected based on economic development priorities; (b) evaluated for their social and economic value, and; (c) properly monitored and maintained, leading to higher quality information and more informed decision-making processes by the National Economic Council. Activities will include: (i) consultancy to design organizational aspects of the unit based on international experiences of other small states such as Singapore, including a draft policy paper expected to be used as an input in the document to be submitted to Cabinet for approval; (ii) design of the procedures, methodologies and systems to be adopted during the project assessment process; and (iii) capacity building activities for BIA and PMO staff on procedures, methodologies and systems to be used in the project assessment process.

IV. BUDGET

The TC would have a total cost of \$450,000, to be financed by the Bank (IDB) through the Institutional Capacity Strengthening Fund.

Table 1: Provisional Budget

Activities / Components	Description	IDB/Trust Fund (US\$)	Local Counterpart (US\$)	Total (US\$)
Component 1	National Economic Development Strategy	\$350,000	\$0	\$350,000
Component 2	Decision-making for Investment Projects	\$90,000	\$0	\$90,000
External audit		\$10,000	\$0	\$10,000
TOTAL:		\$450,000	\$0	\$450,000

V. EXECUTION

Upon request of the Prime Minister’s Office of the Government of The Bahamas (see attached letter), this TC is proposed to be executed by the Bank through the Institutional Capacity of the State division (IFD/ICS). The low capacity at the PMO, their lack of experience with Bank procedures and the relatively bad execution performance of existing TCs managed by the Ministry of Finance would make this the most suitable solution for a more successful project. All procurement of goods and services will be carried out in accordance with the Bank’s *Policies for the Procurement of Works and Goods financed by the IDB* (GN-2349-9). The selection and engagement of consultants will be conducted in accordance with the Bank’s *Policies for the Selection and Contracting of Consultants financed by the IDB* (GN-2350-9).

VI. RISKS

As learned from previous Bank interventions in the Bahamas, the implementation of PSM activities require decisive and resolute high-level support. In the absence of such support, the reform actions may not deliver the expected results. This risk will be mitigated by: (i) anchoring the initial activities in the Prime Minister’s Office to ensure stronger ownership and traction; and (ii) supporting the authorities with gradual, sequential and realistic options for policy solutions that can be applied in The Bahamas context.

VII. ENVIRONMENTAL AND SOCIAL CLASSIFICATION

There are no environmental or social risks associated with the activities outlined in this operation. In accordance with the results of the "*Safeguards Policy Filter Report*," it is proposed that the transaction be classified as category "C"