

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

THE COMMONWEALTH OF THE BAHAMAS

BOOSTING RESILIENT AND INCLUSIVE GROWTH IN THE BAHAMAS

(BH-L1050)

LOAN PROPOSAL

This document was prepared by the project team consisting of: Claudia Stevenson (IFD/CTI), Team Leader; Gerard Alleng (CSD/CCS), Alternate Team Leader; Matteo Grazzi; Rafael Anta; Edwin Goni; Sylvia Dohnert; Pauline Henriquez; Yohana Gonzalez (IFD/CTI); Laura Giles Álvarez (CCB/CBA); Navita Anganu (IFD/CMF); Hori Tsuneki (RND/CSD); Steve Collins (VPS/ESG); Maria Paula Gerardino (SPD/SDV); Nalda Morales; Ana Gabriela Paz (VPC/FMP); Natalie Bethel (CBH/CBH); Timyka Davis (SCL/LMK) y Maria Sofia Greco (LEG/SGO).

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

CONTENTS

PROJECT SUMMARY	1
I. DESCRIPTION AND RESULTS MONITORING	2
A. Background, problem addressed and justification	2
B. Objective, components, and cost	19
C. Key results indicators.....	21
II. FINANCING STRUCTURE AND MAIN RISKS.....	22
A. Financing instruments.....	22
B. Environmental and social safeguard risks	23
C. Fiduciary risk	23
D. Other risks and key issues.....	23
III. IMPLEMENTATION AND MANAGEMENT PLAN	24
A. Summary of implementation arrangements.....	24
B. Summary of arrangements for monitoring results.....	24
IV. POLICY LETTER	25

ANNEXES	
Annex I	Summary Development Effectiveness Matrix (DEM)
Annex II	Policy Matrix
Annex III	Results Matrix

REQUIRED ELECTRONIC LINKS (REL)	
REL#1	Policy Letter
REL#2	Means of Verification Matrix
REL#3	Monitoring and Evaluation Arrangements

OPTIONAL ELECTRONIC LINKS (OEL)	
OEL#1	Firm Productivity in The Bahamas
OEL#2	Analysis on the Impact of Legislation for Business Climate
OEL#3	Analysis of Environmental Legislation
OEL#4	Action Plan on the Blue Economy
OEL#5	Blue Economy Initiatives in the Region
OEL#6	Science and Governance in the Blue Economy
OEL#7	International Experiences
OEL#8	Bibliographical References

ABBREVIATIONS	
ABS	Access and Benefit Sharing
BDB	Bahamas Development Bank
BEST	Bahamas Environmental Science and Technology Commission
BNT	Bahamas National Trust
BPAF	Bahamas Protected Areas Fund
CCI	Caribbean Challenge Initiative
CDB	Caribbean Development Bank
COVID-19	Coronavirus Disease of 2019
DEPP	Department of the Environmental Planning and Protection
EEZ	The Bahamas' Exclusive Economic Zone
EIA	Environmental Impact Assessments
ERC	Economic Recovery Committee
FAO	Food and Agriculture Organization of the United Nations
GDP	Gross Domestic Product
HPLF	High Level Political Forum on Sustainable Development
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IMF	International Monetary Fund
INDC	Intended Nationally Determined Contribution
InVEST	Integrated Valuation of Ecosystem Services and Tradeoffs
LAC	Latin American and the Caribbean
MDB	Multilateral Development Bank
M&E	Monitoring and Evaluation
MoAMR	Ministry of Agriculture and Marine Resources
MoE	Ministry of Environment
MoF	Ministry of Finance
MPAs	Marine Protected Areas
MSMEs	Micro, Small and Medium Enterprises
OECD	The Organisation for Economic Co-operation and Development
OPM	Office of the Prime Minister
PBL	Policy-Based Loan
PBP	Programmatic Policy-Based Loan
PCR	Project Completion Report
PMDU	Delivery Unit of the Office of the Prime Minister
PROTEqIN	Productivity, Technology and Innovation Survey
SBDC	Small Business Development Center
SFD	Sector Framework Document
SME	Small and Medium-sized Enterprises
TC	Technical Cooperation
TFP	Total Factor Productivity
UNFCC	United Nations Framework Convention on Climate Change
UoB	University of The Bahamas
WEF	World Economic Forum

PROJECT SUMMARY
THE COMMONWEALTH OF THE BAHAMAS
BOOSTING RESILIENT AND INCLUSIVE GROWTH IN THE BAHAMAS
(BH-L1050)

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):	200,000,000	100	Credit Fee:	^(c)
			Inspection and supervision fee:	^(c)
			Weighted Average Life (WAL):	12.75 Years
Total:	200,000,000	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 first of two operations under the modality of Programmatic Policy-Based Loan (PBP), to be contractually independent and technically related.</p>				
<p>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 the first 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 Themes ^(e) :	GD	<input type="checkbox"/>	CC	<input checked="" type="checkbox"/>
			IC	<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) GD (Gender Equality and Diversity); CC (Climate Change and 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, largely undiversified economy.** Economic activity is concentrated in a small number of service sectors like tourism, finance and real estate services, which accounted for 37% of the Gross Domestic Product (GDP) in 2018¹ and that have high dependence on external demand. The country is also reliant on imports that averaged 40% of GDP over the past 5 years and of which a third are food and fuel.² The private sector is dominated by Micro, Small and Medium Enterprises (MSMEs) (which accounted for 98% of registered companies in 2018 and also for almost half of the formal employment and one fifth of the business turnover).³
- 1.2 **The country has experienced stagnant growth with widening fiscal deficits over the past decades.** Economic growth has been 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 thus had a negative effect on growth since 2000 (TFP fell approximately 30% between 2000 and 2019).⁴ In addition, 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).⁵
- 1.3 **A business environment that hinders competitiveness and recurrent exposition to devastating climate shocks are the main determinants of stagnant growth.** The ease of doing business ranking⁶ of The Bahamas was 119 (out of 190) in the 2020 Doing Business Report,⁷ almost at the average of the Caribbean (119.5), but below Jamaica (71) and Trinidad and Tobago (105). The Bahamas has maintained the same rank on average since 2017. Firms in the country perceive that the quality and enforcement of regulations are the main constraints to conducting business.⁸ Challenges in the business climate are not the only determinant of sluggish growth but actual climate change shocks are major culprits too. Every year, the country loses a percentage of its GDP due to climate change shocks, particularly from extreme weather events that cause floods and sea surges.⁹ Over the last 30 years, The Bahamas has recorded more frequent natural disasters and annual average damages than the rest of the

¹ WEO October 2019 and [Central Bank of The Bahamas](#).

² Ibid.

³ SBDC 2019 MSME Uncovered.

⁴ WEO and WDI data 1990-2019. (see [Productivity in The Bahamas](#)).

⁵ IMF WEO April 2020.

⁶ The ranking provides information about an economy's performance in business regulation relative to the performance of other economies.

⁷ Doing Business Report 2020.

⁸ CDC 2018.

⁹ GOB, 2018. The Bahamas Voluntary National Review on the Sustainable Development Goals to the High-Level Political Forum of the United Nations Economic and Social Council.

Caribbean, including both public and private losses, at 1.4% of GDP, in comparison to the Caribbean regional average of 1.2%.¹⁰ For example, Hurricane Mathew, which hit The Bahamas in 2016, significantly impacted tourism activities, as did Hurricane Irma in 2017 (estimated at US\$68 million in losses).¹¹ More recently, Hurricane Dorian, which hit the country in 2019, resulted in an estimated US\$3.4 billion (27% of GDP) in damages and losses and a downward revision to the economic outlook.¹¹

- 1.4 **COVID-19 has aggravated the situation with a sudden stop in all economies worldwide, but especially in those highly dependent on tourism revenues.** With the COVID-19 pandemic, the country experienced a sudden halt in tourism arrivals since March 2020 and a strict lockdown through May 2020. Consequently, the International Monetary Fund (IMF) predicts an economic contraction of 12.5% for the Bahamas by the end of 2020.¹² However, the severity of the contraction will depend on the evolution of the pandemic, the pace of reopening and whether the country will experience a second wave of COVID-19 or is impacted by a hurricane. In the medium term, economic stagnation in key markets, as well as supply chain disruptions, will likely have further negative externalities on the economy. Reduced labor mobility and disruptions in international supply chains could also have negative externalities on the construction sector and on food security, as approximately 90% of food is imported in The Bahamas. Although the government is rolling out response measures, its fiscal position will be affected. The fall in revenues (resulting from lower tourism activity and consumption) and the required increase in spending will likely increase gross financing needs by 70-90% in FY2020/21.¹³ Lower tourism receipts and Foreign Direct Investment (FDI) will also have negative effects on the level of reserves, which reached \$2,033.9 million in April 2020.¹⁴ Keeping an adequate level of reserves is key to maintain the exchange rate pegged at one to one with the US dollar.

2. Business Climate Challenges

- 1.5 **Business climate affects competitiveness.** The external conditions and the business environment in which firms operate are crucial for their performance. Regulation to private activity is intended to fix market failures that could endanger its freedom to operate. Both regulatory loopholes or excessive red tape can burden private businesses and end up limiting their ability to freely operate. Weak or excessive regulation can raise businesses' registration, investment, operational or exit costs, preventing an efficient reallocation of resources and factors between firms, and therefore, harm the competitiveness of private businesses, the aggregate productivity of the country and its pace of economic growth. As mentioned previously, the ease of doing business ranking of The Bahamas was 119 (out of 190) in the 2020 Doing Business Report. While the IMF¹⁵ and the

¹⁰ IMF. Strengthening Natural Disaster Resilience (2019).

¹¹ [Hurricanes Irma and Maria](#) hit The Bahamas in 2017. Hurricane Irma affected the islands of Inagua, Mayaguana, Crooked Island, Acklins, Long Cay, Ragged Island, San Salvador, and Bimini with a total estimated damages and losses reaching US\$130.8 million. Hurricane Maria affected Ragged Island and Acklins Island.

¹² IMF 2020.

¹³ WEO 2019 and Central Bank of The Bahamas.

¹⁴ [The Central Bank of The Bahamas](#).

¹⁵ 2019 Article IV indicates that in order to enhance competitiveness, action is needed in advancing energy sector reforms, lowering costs of transacting with the government, and easing labor bottlenecks.

Delivery Unit of the Office of the Prime Minister (PMDU)¹⁶ have identified a number of factors that are preventing a stronger business climate, two of these factors are related to aspects affecting firms' essential processes: registration and investments.¹⁷

- 1.6 **Costs to register a business are still high.** Changes to business regulation affect the number and size of firms in the market. The number of days and procedures taken to register firms that are ready to begin operations equates to standstill capital and forgone profits. In addition, entry of new firms results in higher productivity because of the reallocation of resources from inefficient firms to new entrants.¹⁸ In the individual scores, the Doing Business Report ranks Bahamas 94th in the ease of starting a business venture¹⁹ and the PMDU 2018-2019 Annual Report indicates that obtaining or renewing a business license in The Bahamas took more than 30 days in 2018.²⁰ According to the Doing Business report of the same year, the associated cost reached 13.8% of the income per capita.
- 1.7 **Minority investor protections are still not enough.** Minority investor protections affect the ability of companies to raise the capital needed to start, grow, innovate, diversify and compete. Investment in firms is less sensitive to financial constraints and leads to greater growth in revenue and profitability in economies with stronger investor protections. This is reflected in the score for protecting minority investor of the Doing Business Report that ranks Bahamas 88th, below the regional average for Latin America and the Caribbean (47) and below countries such as Barbados (38) or the Dominican Republic (34). The Bahamas ranked low in the individual scores of transparency (3/7), disclosure (3/10) and ownership and control (4/7). Minority shareholder protection has long been seen as a point to strengthen in Bahamian capital markets' regulation, especially when it comes to takeovers of publicly-traded companies. It has been challenging for minority investors to obtain influence on the Boards of publicly-traded companies via independent directors and achieve more evenhanded consideration when controlling/majority investors were bought out.²¹ In order to promote the growth of capital markets, investments will have to be more attractive and provide sources of finance to small, rapidly growing firms, and the current legal and regulatory framework will need to provide a stronger framework on disclosure of conflict of interest, shareholder governance and rules regarding takeover of companies.²²

¹⁶ PMDU 2018-2019 annual report highlights that the opportunities for most rapid improvement of the business climate are in five areas: Starting a Business; Getting Construction Permits; Protecting Minority Investors; Registering Property; Getting Credit.

¹⁷ The IDB program, Government Digital Transformation to Strengthen Competitiveness (4549/OC-BH), introduces simplification, digitalization and transparency for a wider range of government procedures towards businesses and citizens.

¹⁸ Fernandes, Ferreira, and Winters (2018) find that the entry-simplifying reform introduced in Portugal in 2005 boosted sectoral competition. Alfaro and Chari (2014) examine the effects of the "License Raj" reform in India and find that the number of small firms and productivity increased in industries with easier start-up rules.

¹⁹ This topic measures the number of procedures, time, cost and paid-in minimum capital requirement for a small-to-medium-sized limited liability company to start up and formally operate.

²⁰ 46 days on average according to the 2018 World Bank Doing Business Index, compared to 28.5 days on average for Latin America and The Caribbean (LAC) and 9.3 days on average for The Organisation for Economic Co-operation and Development (OECD) countries.

²¹ World Bank. 2020. Doing Business Report.

²² Anzola 2020. Analysis of Legal Reforms in The Bahamas.

- 1.8 **The business climate for MSMEs presents additional challenges.** The COVID-19 crisis has impacted the conditions under which businesses are conducting operations in the country, and it has been especially arduous on the business climate of MSMEs.²³ The economic shock due to the COVID-19 pandemic translates into two effects for MSMEs: (i) decrease or sudden stops in their operational income; and (ii) increased delays in payments for the goods and services they provide. This creates a sudden and abrupt imbalance in their cash flows, generating short-term liquidity demands to cover fixed operating costs and maintain employment levels during periods of less economic activity. In addition, the generalized worsening of financial conditions restricts the ability of MSMEs to access financing to cover these liquidity needs derived from the fall in economic activity. Given the large participation of this group in the economy and the severity of the COVID-19 shock, business continuity has become a prominent priority when talking about business climate in the country in the short term.²⁴ In fact, most of the countries affected by COVID-19 have implemented interventions to support MSMEs with the ultimate goal of: (i) sustaining domestic production; (ii) protecting employment levels; and (iii) preserving macroeconomic stability. The measures adopted by these 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.
- 1.9 In the medium and long term, two other structural factors affect the competitiveness of small-scale private businesses: (i) informality, which in the country is estimated to explain about 20-30% of the GDP;²⁵ and (ii) basic business capacities. The costs and consequences of informality are well known: unfair competition due to avoidance of social and fiscal obligations, lack of access to credit markets or to public financing, low productivity firms with limited capacities to grow and innovate, etc.²⁶ The high business registration costs described earlier can generate perverse incentives towards maintaining informality, especially among micro-enterprises. Currently, the percentage of firms competing against unregistered or informal firms is 74.6% in the small firms' segment and 52.6% among medium firms.²⁷ To reduce the level of informality, changes in startup regulation should also include specific mechanisms to incentivize formalization through simplified registration. With respect to business capacities, Bahamian firms face challenges derived from their low use of technology and low capacity for innovation.²⁸ Bahamian firms experience low complexity (existing industries are not closely connected and face challenges in upgrading products or moving into more complex parts of the supply chain), insufficient innovative activity (only 22% of the firms innovate and this innovation is more prevalent in the manufacturing sector), and practically non-existent use of high technology (99% of firms use basic technology such as cellphones or a basic website and 0.5% have

²³ Standard and Poors Outlook. 2020.

²⁴ Budget Communication FY 2020/2021 "From Crisis to Opportunity, an unprecedented budget for unprecedented times" presented to the House of Assembly on May 27th, 2020.

²⁵ Amos, Peter (2017). Estimating the Size of the Informal Economy in Caribbean States.

²⁶ Goni (2013) "Endemic Informality: Assessing Labor Informality, Employment and Income Risk in the Andes"; Levy (2008) "Good Intentions Bad Outcomes: Social Policy, Informality, and Economic Growth in Mexico".

²⁷ IMF (2019) The Bahamas: Financial Sector Assessment. Program Technical Note on Financial Inclusion Retail Payments and SME Finance.

²⁸ World Bank Group Enterprise Surveys: (2010) Productivity, Technology, Innovation Survey (PROTEqIN) 2014.

adopted advanced technology such as licensed technologies).²⁹ In addition, Bahamian MSMEs lag in the adoption of digital technology and therefore miss out on the potential benefits in productivity and competitiveness.³⁰ As businesses around the world are becoming digital at an accelerated pace, companies that do not strengthen their digital capabilities are at risk of: (i) being disrupted and sent out of business by other companies that do acquire advanced digital capabilities (not only in a given country or region, but at a global scale since one of the features of digitalization is that it facilitates access to services and goods across borders in a seamless manner and reorganizes competition itself); (ii) stagnation by missing or losing the opportunities created by new platforms and business models based on digital technology (sharing economy, cloud based services, access to talent and cost savings made possible by telework, etc.); or (iii) developing significant difficulties in their integration to their value chains, when the rest of the value chain becomes digitalized.³¹

- 1.10 **Vulnerability to natural disasters and climate change.** High exposure to climate risks magnifies the structural obstacles for a long-term economic growth, as it increases the fiscal resources for massive reconstruction, as well as the cost and risks of doing business.³² Massive reconstruction costs take away scarce resources from social spending, with each disaster taxing countries along the development path. Building resiliency implies strategic investment in resilient infrastructure, risk transfer tools (such as insurance) and contingency planning.
- 1.11 In particular, 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,³³ and could lead to loss of coastal wetlands, dunes, and beaches, particularly if the shoreward migration of these natural habitats is blocked by urban development.³⁴ Research shows that coastal and marine ecosystems are crucial for mitigating risks from climate change impacts and improving resilience to coastal hazards in The Bahamas, protecting the archipelago from erosion and flooding, and stabilizing the shoreline.³⁵ For example, coral reefs weaken storm surges by attenuating wave energy and are additionally buffered by mangrove forests and seagrass beds, which also secure sand and sediment to prevent shoreline erosion. Nature-based coastal defenses can provide climate-resilient alternatives, and in some cases can do so cost-effectively in comparison to hardened infrastructure approaches.³⁶ Natural infrastructure can also provide multiple benefits to local communities, including the provision of fish habitats and improvements of fish stocks, water quality regulation, tourism and recreation values.³⁷

²⁹ % in PROTEqIN Survey.

³⁰ OECD. 2019. Digital for MSMEs Concept Note.

³¹ Navarro, 2018.

³² Okter, et al 2018.

³³ Heberger et al., 2009; Griggs and Haddad, 2011; National Research Council, 2012.

³⁴ Griggs, 2005; Kraus and McDougal, 2013; Berry et al., 2013.

³⁵ Millennium Ecosystem Assessment, 2005; Barbier et al., 2008; Everard et al., 2010; Gedan et al., 2010; Shepard et al., 2011; Pinsky et al., 2013).

³⁶ ECA, 2009; Jones et al., 2012; Lowe et al., 2013.

³⁷ Zedler and Kercher, 2005; Barbier et al., 2008; Everard et al., 2010.

- 1.12 The vulnerability of The Bahamas³⁸ to natural disasters calls for a legal, institutional and regulatory framework aimed at protecting the country's natural resources while promoting competitiveness. To address the vulnerability challenges through natural infrastructure or nature-based solutions, the country needs to: (i) strengthen and modernize the institutions in charge of promoting environmental resilience and protection of natural resources; (ii) modernize the legal and regulatory framework for environmental resiliency; and (iii) conduct science and strengthen governance to promote innovation in the marine resources through the Blue Economy.
- 1.13 **Institutional and legal framework for environmental resiliency.** To respond to the global environmental and climate change challenges, countries around the world have established strategic institutional and legal frameworks for environmental governance, which is critical for the achievement of environmental sustainability.³⁹ Until 2019, in The Bahamas, several institutions - such as the Ministry of the Environment and Housing, the Bahamas Environmental Science and Technology (BEST) Commission, the Ministry of Public Works, the Ministry of Health, and the Ministry of Agriculture and Marine Resources (MoAMR), among others⁴⁰ - oversaw discrete aspects of environmental management, resulting in coordination gaps and ambiguity. There was no centralized institution in charge of developing environmental policy for the protection, conservation and proper management of marine resources, no autonomous institution with the ability to provide for the monitoring and enforcement of infractions and restorations, limited institutional mechanisms to provide funding for restoration and protection, and the procedures for environmental impact assessments needed greater transparency (see [OEL#3](#)).
- 1.14 One of the main instruments for promoting nature-based solutions to coastal infrastructure is through the establishment of Marine Protected Areas (MPAs). MPAs are defined as reserved areas, where marine and coastal biodiversity enjoy a higher level of protection.⁴¹ MPAs are critical for preventing and reversing declines in ocean resiliency and biodiversity and to provide a space for marine research and education.⁴² The Bahamas committed to achieve a healthy marine and coastal environment by creating a network of MPAs. In 2016, with 41 MPAs, The Bahamas achieved a protection of 10% of its marine and coastal habitat and in 2017, the country committed to protect 20% by 2020. However, a gap analysis carried out in 2017⁴³ showed that only 20% of the spawning fish areas (areas where fish reproduce), 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. Once new MPAs have been established, they require the development and execution of management plans that clearly define the conservation goals and actively involve the communities. In addition, the institutions in charge of declaring,

³⁸ Ram et al. 2019.

³⁹ Modak, P. 2018. Environmental Management Towards Sustainability.

⁴⁰ United Nations. 2002.

⁴¹ OECD. 2017. Marine Protected Areas: Economics, Management and Efficient Policy Mixes.

⁴² Brumbaugh, D. 2014. Guide to Science of Marine Protected Areas. American Museum of Natural History. New York City.

⁴³ BNT. The Nature Conservancy. 2017. Bahamas Protected Marine Gap Analysis.

managing and financing MPAs required clearer governance and financial mechanisms.

1.15 Weaknesses in the legal framework for environmental management. The rising production of plastic and its low level of circularity is increasing the amount of plastic leaked into the ocean, estimated at about 12 million tons a year.⁴⁴ Marine debris, predominantly plastic pollution,⁴⁵ has become a global environmental problem due to its high level of persistence and toxicity, which negatively impacts marine organisms, ecosystems, biodiversity, ecosystem services and economic development.⁴⁶ Many marine species are at the verge of extinction because of the pollution occurring in the oceans. The consumption of plastics by marine creatures such as fish causes intestinal injuries and unaccounted deaths, and this also spreads the risk across the whole food chain to other fish species and marine mammals.⁴⁷ Additionally, the garbage in the oceans jeopardizes the natural conditions surrounding marine life while disrupting the entire bio-geo cycle.⁴⁸ Also, a high concentration of marine debris damages coral reefs, mangrove forests and seagrass that are crucial to maintain fishing activities and undermine the effectiveness of MPAs. Plastic waste can also have negative impacts on tourism, recreational activities, and damage vessels.⁴⁹ In The Bahamas, it is estimated that plastic beach pollution could cause up to US\$8.5 million in tourism losses annually.⁵⁰ In 2010, plastic marine debris accumulation for The Bahamas was estimated 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.⁵¹ Until 2019, there was no legislation nor regulations in place to manage or ban the use of plastics in The Bahamas.

1.16 Governments can influence manufacturing of products and provisions of services that are less harmful to the environment by including legal and regulatory frameworks that incentivize green solutions.⁵² Until 2019, The Bahamas had no clear legal guidance regarding sustainable procurement practices for MSMEs, for the reduction of the adverse environmental and social impacts of purchased products nor incentives for suppliers to adopt practices that minimize the negative impacts. Prior to 2019, the BEST Commission oversaw the approval of Environmental Impact Assessments (EIA) and Environmental Management Plans (EMP), but had no strong mechanisms for their enforcement, by, for example, issuing fines or requiring restoration.⁵³ In addition, the procedures for EIA needed to be strengthened in terms of providing greater transparency and enhancing consultation measures.

1.17 Promotion of scientific development and governance in new sectors such as the Blue Economy. The Blue Economy is defined as the simultaneous promotion

⁴⁴ Boucher et al. 2020. The Marine Plastic Footprint.

⁴⁵ Ibid. A recent study carried out in Eleuthera Island shows that 93% of all marine debris corresponds to plastic.

⁴⁶ Secretariat Convention on Biological Biodiversity. Marine Debris: Understanding, preventing and mitigating the adverse impacts on Marine and Coastal Biodiversity.

⁴⁷ Ibid - Footnote 45.

⁴⁸ Karbalaei, Hanachi, Walker, & Cole, 2018.

⁴⁹ Ambrose et al. 2019.

⁵⁰ Ambrose et al., 2019.

⁵¹ Ibid.

⁵² OECD. 2015. Going Green: Best Practices for Public Procurement.

⁵³ [EIA & EMP Guidelines](#).

of economic growth, environmental sustainability, and strengthening of oceans ecosystems by optimizing the exploitation and maximizing the value of marine resources.⁵⁴ The Bahamas' Exclusive Economic Zone (EEZ) covers 260,000 square miles, of which 5% is land and 95% is sea,⁵⁵ representing the largest development space for the country.⁵⁶ The geographical and climate conditions of The Bahamas provide unique possibilities derived from the Blue Economy if properly managed and protected. The pelagic ecosystem (with a depth of approximately 1,000 meters) sustains a food network from plankton to top marine predators such as marlin and tuna and also attracts whale and dolphin species. 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. Offshore waters are also home to numerous species of marine mammal and sea turtles as well as a range of deep-water pelagic fish species.⁵⁷

- 1.18 In The Bahamas, the Blue Economy encompasses traditional sectors (fisheries, maritime transport and coastal tourism)⁵⁸ and has the potential for new economic activities. With 95% of the country's territory located in a 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 even more important source of economic production.⁵⁹ The fisheries sector only contributes an estimated 1% to the GDP,⁶⁰ and still plays a limited role in the economy in terms of foreign currency earnings, food supply and employment, as it 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.⁶¹ 90% of spiny lobster is exported.⁶² Without proper conservation measures, such as the establishment and management of MPAs, the sustainability of the traditional products is challenged.
- 1.19 Expanding the Blue Economy in The Bahamas requires the promotion of emerging ocean-based activities, including the exploitation of new marine products (e.g. sea cucumbers, sea moss, pelagic species) marine aquaculture, marine biotechnology, and renewable energy, among others.⁶³ For a higher efficiency of MPAs management programs, there is the need for more scientific information regarding the behavior of species, the medium and long-term impacts on existing commercial species and on prospective ones. In addition, the lack of institutional coordination mechanisms as well as the lack of dedicated policies prevent a stronger push for economic diversification towards the Blue Economy.

⁵⁴ OECD. 2017

⁵⁵ Convention on Biological Diversity.

⁵⁶ Roberts, J. 2014.

⁵⁷ Food and Agriculture Organization of the United Nations (FAO). 2015.

⁵⁸ Coastal Tourism contributed to 27.7% of GDP in 2018 (CDB, 2020. Measuring the Blue Economy.

⁵⁹ Ecosystem Service Valuation of Proposed Protected Areas in Abaco, The Bahamas. 2013 University of California, Santa Barbara.

⁶⁰ Fisheries and Aquaculture in The Bahamas: A Review. 2015. FAO/Department of Maritime Affairs.

⁶¹ Failler P. 2020 Bahamas Strategy for Blue Economy Activities.

⁶² FAO.2020.

⁶³ OECD.2019. Rethinking Innovation for a Sustainable Ocean Economy.

- 1.20 Scientific research, particularly bioprospection, drives discovery and innovation towards the Blue Economy.⁶⁴ Access and Benefit Sharing (ABS) refers to the way in which genetic resources may be accessed, and how the benefits that result from their use are shared between the people or countries using the resources (users) and the people or countries that provide them (providers). 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 arising out of their utilization and provides a transparent legal framework for the effective implementation of ABS⁶⁵ regime in a country.⁶⁶
- 1.21 The Bahamas used to issue over one hundred research permits per year, about 90% of which were issued to foreign institutions (generally from the United States and Canada), enabling access to genetic resources, mostly in the marine environment. A study published in 2012 calculated that 125 new natural products were discovered in EEZ in the 2000s.⁶⁷ A preliminary review of the patent databases of the United States revealed that a significant number of research initiatives conducted in The Bahamas applied for United States patents. A large cluster of patents covers a marine microbe originating from The Bahamas, the production of biomolecules with this specific Bahamian strain and their use as pharmaceuticals. For one of these molecules, clinical phase II tests were announced to start in 2014. These inventions based on a Bahamian genetic resource might be developed into commercially successful drugs with significant revenues. Due to the lack of a regulatory ABS regime in The Bahamas and appropriate contractual ABS provisions, almost no benefits are flowing back to the country from these and other cases of utilization and commercialization of Bahamian genetic resources.
- 1.22 **Institutional aspects and progress.** Several institutions of The Bahamas are involved in the promotion of competitiveness and environmental resiliency. In April 2020, the Prime Minister appointed the Economic Recovery Committee (ERC), with the mandate to address the short-term challenges presented by the COVID-19 pandemic and provide a vision for a resilient, dynamic, inclusive and sustainable economy. The ERC includes representatives of the public and private sector.⁶⁸
- 1.23 Regarding business climate, the Delivery Unit in the Office of the Prime Minister (PMDU), with the objective of improving the business climate as one of its four priorities, has promoted activities for registering a new business and protecting minority investors, contributing to enhance the business climate in the country.⁶⁹

⁶⁴ New cosmetics and pharmaceuticals are based on extracts from soft corals, marine strains and microorganisms.

⁶⁵ [The Nagoya Protocol on Access and Benefit Sharing](#).

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

⁶⁷ Ibid.

⁶⁸ Committee members include Central Bank of The Bahamas; MoE; Securities Commission of The Bahamas; Director, Small Business Development Centre; Bahamas Chamber of Commerce and Employers Federation; Bahamas Hotel & Tourism Association; among others.

⁶⁹ [PMDU Annual Report](#). Based on the 2018 baseline, 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 actions for 2019-2020 are focused on the first two.

- 1.24 The Bahamian Government recently launched an e-business web portal, which allows limited liability companies to register online.⁷⁰ In 2019, the government made starting a business faster by reducing the registration time for a business license and eliminated the registration fee. In 2019, the Ministry of Finance (MoF) rolled out a provisional business license to reduce the time it takes to start a new business.⁷¹ This is a temporary license issued by the Department of Inland Revenue for 90 days to help small businesses start operations in a quick manner. Once a business license application is submitted, businesses that are deemed “low risk” can be granted a provisional license.⁷²
- 1.25 During 2019, the government also strengthened minority investor protections by increasing disclosure requirements for conflicts of interest, clarifying ownership and control structures, and requiring greater corporate transparency⁷³ ([OEL#2](#)). These issues were improved upon in the Companies Act and the Securities Industries Governance Rules. Further progress is expected with the approval of the Takeover Rules developed by the Securities Commission.⁷⁴ Even though the government has made progress to improve the business climate, the registration process needs to be even more agile for low risk companies, and the regulations related to protection of minority investors need to be further strengthened.
- 1.26 To support MSMEs during the COVID-19 crisis, a business continuity support program was launched by the government, and executed by the Small Business Development Center (SBDC).⁷⁵ In addition, the government has established a program delivered by the SBDC with the mission to support MSMEs to scale up and grow, providing advisory services on the use of digital technologies to build businesses, and developing a digital skills training program to support MSMEs to scale up.⁷⁶ As the MSMEs in the Family Islands have limited internet connectivity, which is essential for accessing these training services, the program provides technologies for digital training in remote locations.⁷⁷ To broaden the scope of the beneficiaries, the SBDC also launched a program to encourage and support business registration.
- 1.27 Regarding the legal and institutional framework for promoting environmental resiliency, the Government of The Bahamas recently passed (in November 2019), a comprehensive package of legislation aimed at strengthening the institutions mandated to protect the environment and filling gaps regarding environmental regulation and enforcement. Among other measures, it includes the creation of the Ministry of Environment (MoE) through the Ministry of Environment Act and the

⁷⁰ [Department of Inland Revenue](#).

⁷¹ Approved by Parliament during the 2018/2019 budget, this is valid while businesses wait to receive approvals from other government agencies, such as the Department of Physical Planning, Ministry of Works or Environmental Health Services.

⁷² [Provisional License](#).

⁷³ [Doing Business 2020](#).

⁷⁴ [PMDU Annual Report](#).

⁷⁵ The SBDC keeps record and actively targets women participation in their programs. In 2018, 49% of the small businesses registered to have access to SBDC’s services were led by females. Moreover, the SBDC has also promoted the training of Bahaman women entrepreneurs and stimulated networking linkages through the participation in programs such as the United States Embassy’s Academy for Women Entrepreneurs.

⁷⁶ Access Accelerator, supported by IDBLab.

⁷⁷ Economic activity is very unequally distributed in The Bahamas, mostly concentrated in New Providence (74% of GDP), Grand Bahama (10.9% of GDP) and Abaco (4.6% of GDP). [Impact of Hurricane Dorian in the Bahamas, a View from the Sky](#).

Department of the Environmental Planning and Protection (DEPP) with the proclamation of the Environmental Planning and Protection Act. The MoE will be responsible for the integrity of the environment of The Bahamas and will be in charge of the Environmental Administrative Fund and the Environmental Trust Fund that provides financing for conservation and management of the environment. The DEPP, which reports to the MoE will oversee the development and implementation of policies, programs and plans to manage and conserve the environment. The DEPP will operate as an autonomous entity, in charge of an integrated environmental management system, the protection and conservation of the environment, restoration, management and enforcement of infractions and restorations, including spills of oil and hazardous materials into the environment, the transparency of EIA, the protection of coral reefs and the declaration of conservation areas (see [OEL#3](#)).

- 1.28 In addition, the government passed in December 2019 a series of legislative measures aimed at improving the governance, enforcement and financial sustainability of the MPAs with the amendments of The Bahamas Protected Areas Fund (BPAF) and The Bahamas National Trust (BNT) Acts. These Acts strengthen and expand the country's MPAs network, create national conservation funds dedicated solely to funding MPAs management, and develop a monitoring and evaluation regime under the BPAF.⁷⁸
- 1.29 Up to date, 41 MPAs have been declared in the country. A proposal for 43 new sites was submitted to Cabinet by a joint working group including the Department of Maritime Resources and several NGOs in 2019. At the same time, four management plans for MPAs are being currently developed.
- 1.30 The government has also introduced legislation to prohibit the use of single use plastics through the enactment of the Environmental Control Act in 2019, and to improve the legal and regulatory framework for environmental resiliency, including legislation to allow for sustainable procurement practices with the recently drafted Public Procurement Bill. The draft of EIA regulations, which are currently being consulted with stakeholders, includes a mandatory application for preliminary review, the requirement of an environmental performance bond to cover potential environmental mitigation costs and makes provision for fines and for consultation requirements.
- 1.31 To promote marine science and its contribution to develop the Blue Economy, the government is in the process of establishing an Inter-Departmental Blue Economy Coordination Group to coordinate agencies with responsibilities for ocean affairs and marine resources. This Group will be spearheaded by the MoAMR and will include public, private, academia and NGOs as: The Bahamas Agriculture and Marine Science Institute (BAMSI), the Ministry of Environment, the BEST Commission, the Ministry of Transport and Local Affairs (MoTLA), The Bahamas Maritime Authority, the University of The Bahamas and public private organizations such as The BNT. In addition, the government is in the process of developing a comprehensive strategy for economic diversification in the Blue Economy with the participation and consultation with public, private and civil society stakeholders, as well as a policy for the proper use of marine resources, including of scientific

⁷⁸ Including also financial provisions to provide employment support and community participation.

research in the marine environment. The Bahamas is taking steps towards the adoption of a national ABS policy, which includes the implementation of ABS agreements in research permits to include monetary and non-monetary benefit sharing provisions as a mechanism to ensure fair and equitable benefit sharing at any stage of research, development, innovation, pre-commercialization or commercialization of Bahamian marine genetic resources. In addition, the Biological Diversity and Conservation Bill has been drafted and consulted with stakeholders.

- 1.32 **Justification and synthesis of the reforms.** The Programmatic Policy-Based Loan (PBP) is the appropriate policy-based loan instrument for the program as it will support the medium-term implementation of a set of policies that address competitiveness and environmental resiliency. In this context, the Government of The Bahamas has requested from the Bank a PBL to be structured under a programmatic modality with two individual operations.
- 1.33 The PBP's first specific objective tackles challenges faced by MSMEs and by private firms operating in the country. For the first group, the policy conditions are intended to promote business continuity of MSMEs during the COVID-19 crisis and to strengthen business capacities (in order to comply with registration regulation and in order to conduct businesses in general). For the second group, the policy conditions are aimed at improving the protection to minority stakeholders and to streamline the processes to obtain licenses to conduct businesses.
- 1.34 The second specific objective tackles some of the institutional and regulatory gaps that the country has in order to be able to improve environmental resiliency in a context of recurrent environmental shocks that each time destroys part of the productive sector and slows down economic activity. As coastal management and development of natural infrastructure are effective tools to develop environmental resiliency, this objective is aimed at protecting natural resources and environment and promoting scientific developments in the Blue Economy.
- 1.35 The first operation of the series addresses legal, regulatory and policy reform issues regarding the improvement of the business climate for MSMEs and business climate in general, including the enactment of legislation and the launching of initiatives to support MSMEs. The second operation will support the implementation of policies to strengthen MSMEs, the further improvement of business climate processes, and measures to further regulate the legislative changes for protecting minority stakeholders.
- 1.36 Regarding the modernization of the institutional framework for better environmental resiliency, the first operation includes legal reforms that create and strengthen the institutions in charge of the environment and natural resources including the creation of the Ministry of the Environment, the creation of the DEPP; the modernization of the governance structure of The Bahamas Trust Fund, and the strengthening of the system for establishing and managing protected areas, including the establishment of new MPAs. The second operation supports the implementation and operationalization of the new institutional framework. Regarding the strengthening of the regulatory framework to protect the environment and natural resources, the first operation supports the legal reforms to control plastic pollution and the drafting of regulations for EIA and public

procurement. The second operation supports the implementation of measures to control plastic pollution and progress towards the approval of the new legal and regulatory measures. For the promotion of scientific development of marine resources to develop the Blue Economy, the first operation supports the drafting and discussion of an Action Plan for Economic Diversification in the Blue Economy, the drafting of the Biological Diversity and Conservation Bill, the commissioning of the Policy on Proper Management of Maritime Resources and Innovation and the creation of an Inter-Departmental Blue Economy Coordination Group. The second operation will bring continuity to the implementation of the action plan and policies, progress on the legislation of the Biological Diversity and Conservation Bill, and the operation of the Inter-Departmental Blue Economy Coordination Group.

1.37 After the approval of the pending actions, challenges will involve: (i) further improvement in business climate in areas such as registering property and enforcing contracts;⁷⁹ (ii) further development of the medium and long-term priority actions for diversification of the Blue Economy; (iii) further establishment of management plans for MPAs; (iv) the approval of the regulations for EIA and (vi) the enactment of the Biological Diversity and Conservation Bill.

1.38 **International experience.** International experience (see [OEL#7](#)) regarding business climate challenges in competitiveness show that higher quality business climates tend to be related to economies with higher levels of aggregate productivity. Regulatory reforms to facilitate private sector transactions are positively related to economic growth.⁸⁰ Regarding the effect of business climate on MSMEs, evidence shows that excess of regulation and lack of modern procedures for private sector activity have a negative impact on the capacity of business to invest and grow.⁸¹ Evidence in other countries suggests that incorporating reforms that lower the cost of doing businesses reduces informality and increases firms' performance and productivity.⁸² Regarding the need to use natural infrastructure to build environmental resilience, evidence shows that natural infrastructure can play an important role in mitigating risks to coastal communities from climate change impacts.⁸³

1.39 There is international recognition on the need to balance environmental protection and economic growth, and how a governance system is required for ensuring efficient and effective conservation actions.⁸⁴ For EIA, evaluation on the experience from other countries show that EIA should include stakeholder support, ensure transparency and accountability measures.⁸⁵ To stimulate governance and the promotion of scientific development of marine resources to develop the Blue Economy, an integrated governance approach is crucial to take advantage of the opportunities of the marine resources while preserving the environment and biodiversity (see [OEL#6](#)).⁸⁶ In the Caribbean region, Grenada introduced the

⁷⁹ Anzola, 2020.

⁸⁰ Haidar (2012).

⁸¹ OECD. 2014.

⁸² Donor Committee for Enterprise Development-DCED. 2014. What do we know about Business Registration Support Reform?

⁸³ Zedler and Kercher, 2005; Barbier et al., 2008; Everard et al., (2010).

⁸⁴ OECD. Work on the Environment Report 2019-2020.

⁸⁵ OECD. 2020.

⁸⁶ (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.

concept of Blue Economy as one of the pillars of their long-term development vision and implemented a comprehensive set of policies and projects, which are enabling the country to optimize its coastal, marine, and ocean resources.⁸⁷ Barbados became the first country to establish a ministry of the Blue Economy when it created the Ministry of Maritime Affairs and the Blue Economy in 2018.⁸⁸

- 1.40 **Gender and Diversity.** The economic gender gap in the country is still wide. In 2018, the gross national income per capita for women was \$22,827, in comparison to \$34,290 for men.⁸⁹ This situation is the result of several factors. First, the overall female participation in the labor market is lower and the average rate of unemployment, especially when considering youth, is higher for females with respect to males.⁹⁰ Second, a gender gap in earnings persists,⁹¹ among other reasons because females are less likely to be promoted into positions of authority.⁹² For example, less than 30% of Bahaman firms have a female top manager.⁹³ Third, firms led by women are often of smaller size, younger age, and domestically owned.⁹⁴ Also, they usually operate in low growth, low profit segments such as retail and distribution, agriculture, and light manufacturing. The main identified constraints for women entrepreneurs relate to sociocultural factors, reduced access to credit and higher finance costs,⁹⁵ and lack of appropriate technical skills to operate in more knowledge-intensive sectors.⁹⁶
- 1.41 **Climate Change.** The vulnerability of The Bahamas to the impact of climate change is well known given the low-lying nature of the islands of the archipelagic state and its widespread spatial distribution within the hurricane zone of the Caribbean. In response to this vulnerability, The Bahamas has developed various measures to reduce this risk. As far back as 2005, it established a national adaptation policy that set out policies covering these sectors and also the financial and insurance sectors.⁹⁷ This trend has continued with subsequent specific policies on energy, forests and the Intended Nationally Determined Contribution (INDC).⁹⁸
- 1.42 **Government strategy, priorities and actions.** After the COVID-19 pandemic and the effects of recent natural disasters, actions to improve economic and environmental resilience under a strengthened institutional framework have

⁸⁷ Toward a Blue Economy: A Promise for Sustainable Growth in the Caribbean. World Bank. 2016.

⁸⁸ Humphrey, K., 2018. [The unfolding story of Barbados' Blue Economy](#).

⁸⁹ United Nations Development Programme (UNDP) [Human Development Report 2019](#).

⁹⁰ World Bank Development Indicators.

⁹¹ A woman in The Bahamas earned 68 cents for every dollar men in the same age group earned, slightly greater than the ratio in Barbados (67 cents) though higher than in Trinidad and Tobago (55 cents), Chile (52 cents) and Suriname (45 cents). (IDB CDC, 2017).

⁹² See International Labor Organization (ILO) Caribbean Company Survey (2017) for detailed information about career progression of women in the private sector.

⁹³ [PROTEqIN](#) dataset.

⁹⁴ Winston. (2017).

⁹⁵ For example, 32.3% of firms with a female top manager indicate that access to finance is a major or very severe obstacle, compared with only 24.7% of firms with a male top manager (ProteqIN dataset).

⁹⁶ Lashley, Smith. 2015.

⁹⁷ Government of The Commonwealth of The Bahamas, 2005. National Policy for the Adaptation to Climate Change. Developed by the National Climate Committee and The Bahamas Environment, Science and Technology Commission.

⁹⁸ Government of The Commonwealth of The Bahamas. National Energy Policy 2013-2033 (2013); Forest Act, (2014); INDC under the United Nations Framework Convention on Climate Change (2015).

become an urgent priority for the government, as evidenced by the mandate given to the ERC. Regarding the COVID-19 programs for the country, the Government of The Bahamas has created a set of measures that complement the short term support for MSMEs, including allocating additional resources for the health sector for detection, isolation and treatment of COVID-19 cases, a financial allocation through the Ministry of Social Services for support to displaced workers and a US\$10 million allocation for temporary unemployment benefits, the latter in process of being supported by the IDB.⁹⁹ Moreover, The Bahamas National Development Plan: Vision 2040¹⁰⁰ sets economic diversification as a priority goal for resilient growth, including the sustainable development of new sectors (including the Blue Economy, through the enhancement of fisheries and maritime industry), increased employment for young people in blue jobs and greater protection of coastal and maritime ecosystems. Thus, the government has been undertaking a set of reforms geared at promoting competitiveness and improvement of the business climate, under a framework of environmental sustainability and resilience.

- 1.43 **Bank experiences and lessons learned.** The Bank has carried out a series of programs aimed at improving the business climate in the Caribbean,¹⁰¹ 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 its annual World Bank Doing Business indicator and 70% of the beneficiaries from Compete Caribbean reported an improvement in the business climate in the areas of reform supported by that multi-donor program in their country.¹⁰²
- 1.44 Experience from similar programs in the Caribbean region show: (i) that it is critical to link economic growth with environmental resilience in small island states;¹⁰³ (ii) the importance of addressing business climate issues to foster economic growth in the Caribbean;¹⁰⁴ and (iii) the importance of providing technical support for enabling informed decision making to promote private sector development.¹⁰⁵ The Bank has supported a set of business climate improvement and innovation programs in LAC, finding that these programs achieved direct benefits and effects on private sector activity and overall competitiveness.¹⁰⁶ 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 relevance of the capacity of executing agencies 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.

⁹⁹ IDB Caribbean Department. 2020. Caribbean Economics in the time of the Coronavirus.

¹⁰⁰ [Vision 2040](#).

¹⁰¹ 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.

¹⁰² Technopolis. 2016. Final Evaluation of the Compete Caribbean Program.

¹⁰³ Barbados Sustainable Development Program (4987/OC-BA).

¹⁰⁴ Dohnert et al. 2017. Towards a Business Climate Reform in the Caribbean.

¹⁰⁵ Project Completion Report (PCR) 1972/OC-JA; 2297/OC-JA; 3147/OC-JA PBL Series.

¹⁰⁶ Howell (2017).

- 1.45 Experiences from similar programs in The Bahamas show: (i) the need to implement complex programs in stages;¹⁰⁷ and (ii) challenges in coordination can be solved through multi-tiered coordination mechanisms.¹⁰⁸ The lessons learned will be applied in The Bahamas 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 (TC) programs.
- 1.46 **Value added from the Bank and complementarity with other operations.** The Bank is supporting the process of improving the business climate by an in-depth analysis of the baseline and an assessment of the impact of the new legislation on the business climate, as well as by 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 is developing a gap analysis and an action plan for the Blue Economy, which will support the priorities identified in the consultation process with local key stakeholders. Besides, the Bank is working on a set of initiatives at the regional level to promote the Blue Economy, 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); and (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) (see [OEL#5](#)).
- 1.47 This operation complements the projects: (i) 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; (ii) Accelerate Bahamas (ATN/ME-17694-BH), as it complements activities to support MSMEs and strengthening of the SBDC; (iii) 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; and (iv) The Capacity Strengthening for a more Resilient Bahamas (ATN/JF-17982-BH), that finances activities that support resiliency for eventual hazard events, including pandemics (see [OEL#5](#)).
- 1.48 **Donor coordination.** This program supports ongoing initiatives to support the prioritization of coastal and marine economies in the Caribbean and the activities of the donor community under the Caribbean Biodiversity Fund (The Nature Conservancy, Global Environmental Facility; The German Development Bank – KfW) regarding the promotion of MPAs and sustainable marine based research (e.g. Caribbean Challenge Initiative) and with the Caribbean Development Bank

¹⁰⁷ PCR [2758/OC-BH](#).

¹⁰⁸ IDB Group Country Program Evaluation 2010-2017.

(CDB) regarding the promotion of the Blue Economy (e.g. measuring the Blue Economy using national accounts and use of Blue Economy satellite accounts). The IDB, IMF and the CDB regularly coordinate and share information regarding macroeconomic and fiscal projections for The Bahamas, through technical dialogue as well as ad hoc senior management meetings.

1.49 **Strategic Alignment.** The program is aligned with the Second Update of the Institutional Strategy: Development Solutions that Reignite Growth and Improve Lives (AB-3190-2), through the development challenge of Productivity and Innovation, as it promotes MSMEs productivity and innovation through the application of science in marine resources. It is also aligned with the cross-cutting development areas 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 ([joint MDB approach \(JMA\) on climate finance tracking](#)), 68.42% 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 2020; and (ii) Institutional Capacity and the Rule of Law, as the institutions in charge of economic diversification and environmental protection will be strengthened. It will contribute to the IDB Group Corporate Results Framework 2020-2023 (GN-2727-12) with the following output indicators: (i) terrestrial and marine areas with improved management; and (ii) business environment reforms enacted. The program is consistent with the Innovation, Science and the Technology Sector Framework Document (GN-2791-8), as it supports the use of science and technology for the proper use of marine resources; the Environment and Biodiversity Sector Framework Document (GN-2827-8), as it supports environmental resiliency and the strengthening of environmental institutions; and the Climate Change Sector Framework Document (GN-2835-8), as the reforms contribute to climate change mitigation. Finally, is aligned with the strategic objectives of the IDB Group Country Strategy with The Commonwealth of The Bahamas 2018-2022 (GN-2920-1), by promoting innovation and innovative practices in traditional (e.g. sustainable tourism) and nontraditional (e.g. agroindustry, Blue Economy and manufacturing) sectors, and by rationalizing government regulation that hinder business registration, operation and dispute resolution.

1.50 **Gender perspectives.** Most of the reforms that are part of this PBP are at the macro level and thus are gender neutral. However, some of the activities included in the program will indirectly promote women's participation in the economy. A simplified business registration, including the introduction of digital systems, as well as actions to strengthen MSMEs can benefit women-led firms to a greater extent, given that they are often of smaller size and younger age.¹⁰⁹ By supporting the SBDC programs for MSMEs, which usually have 50% women beneficiaries, women will be provided with tools to close the gaps regarding technical skills. Also, the Action Plan for Economic Diversification focusing on the Blue Economy will

¹⁰⁹ [Enterprise Formalization](#).

include a gender perspective, granting equal women participation and taking into consideration gender differentiated impacts of actions in that area.

B. Objective, components, and cost

- 1.51 **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.
- 1.52 **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.
- 1.53 **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 business in The Bahamas and the second group addresses some of the challenges that general companies face to conduct businesses in the country:
- (i) Strengthening the business climate for MSME's by: (a) the operation of a Business Continuity Program (MSME COVID-19 relief program) for MSMEs that provides financial support for eligible MSMEs; and (b) the starting of a program for compliance with business registration for MSMEs approved by the SBDC;
 - (ii) Modernizing the business climate for companies in The Bahamas by: (a)improving protection of minority stakeholders by strengthening the transparency and governance of capital markets through the approval of the Amendment of the Companies Act and the Securities Industries Governance Rules; and (b) streamlining the process of obtaining a business license by the rolling out of provisional business license for low risk companies.
- 1.54 The second operation will: (i) continue the support for MSMEs by providing services to MSMEs in areas such as development of innovative business models, digital businesses and remote training tools; (ii) the operation of the program for compliance with business licenses and business registration, including informal business receiving support and new MSMEs registered; (iii) the improved protection of minority stakeholders by improving the transparency and governance of the capital markets by introducing further precisions through the amendment of the Securities Industry Takeover Rules; and (iv) the process of obtaining a business license streamlined through: (a) enhancement of the digital platform for registering a business by the Department of Inland Revenue; and (b) increasing the scope of low risk companies through the implementation of a risk rating framework for provisional licenses.

- 1.55 **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. These measures will improve the environmental resiliency of the country.
- 1.56 The first group of policies is intended to create and strengthen the institutions in charge of The Bahamas' environment and natural resources and includes: (i) the approval of the Ministry of Environment Bill for the creation of the Ministry of the Environment; (ii) the enactment of the Environmental Planning and Protection Act that creates the Department of Environmental Planning and Protection; (iii) the Amendment of the BNT Bill that strengthens the structure and governance for MPAs management; (iv) strengthening environmental resiliency by improving the system for managing MPAs by the amendment of the Protected Areas Fund Bill; (v) the submission to Cabinet of the proposal for establishment of 43 Marine Protected areas; and (vi) Monitoring and Evaluation System in place in the BPAF.
- 1.57 The second group of policies is intended to strengthen the regulatory framework to protect the environment and natural resources, and includes strengthening the institutional framework for environmentally sustainable growth by: (i) the enactment of the Environmental Protection (Control of Plastic Pollution) Act; (ii) the drafting of the Procedures for Environmental Impact Assessment by the Ministry of Environment; and (iii) submission to Cabinet of the Public Procurement Bill that allows for the government to develop sustainable procurement practices to reduce adverse environmental impact.
- 1.58 The third group of policies is intended to promote scientific development of marine resources to develop the Blue Economy. This set of policies includes enhancing scientific research and governance of marine resources by: (i) drafting of the Action Plan for Economic Diversification focusing on the Blue Economy, including the gender perspective, discussion with stakeholders and agreement of priority areas;¹¹⁰ (ii) drafting of the Biological Diversity and Conservation Bill consulted with stakeholders; (iii) commissioning of the preparation of the Policy on Proper Management of Maritime Resources for Research and Innovation; and (iv) Inter-Departmental Blue Economy Coordination Group (to coordinate national agencies with responsibilities for ocean affairs and marine resources) established by the MoAMR and presented to Cabinet.
- 1.59 The second operation will further support the implementation of measures to strengthen the institutions in charge of the environment and natural resources by: (i) the budgetary allocation for the operation of the Ministry of Environment; (ii) the budgetary allocation for the new Department of Environmental Planning and Protection; (iii) the implementation of the new structure of The Bahamas Trust Fund including: (a) new governance guidelines for the Governing Council of the BNT; (b) provisions for penalties for offenses in place; and (c) submission of annual report on activities to the Council; (iv) the strengthening of environmental resiliency by improving the system for management of MPAs through the implementation of:

¹¹⁰ Including for example, mechanisms for informed participation of small-scale fishing communities in decision-making process related to any project affecting fishery resources.

(a) governance guidelines for members of the Board; and (b) quarterly report on activities of the Board to the Ministry; (v) the establishment of 43 new MPAs and four management plans;¹¹¹ (vi) Monitoring and Evaluation System in operation, including a Spatially Based Decision Support System. It will also support the strengthening of the regulatory framework to protect the environment and natural resources by: (i) the introduction of prohibition on single use of plastics, and on the release of balloons; (ii) the tabling in Parliament of the Environmental Impact Assessment Procedures; (iii) the tabling in Parliament of the Public Procurement Bill; (iv) the implementation of the short-term priority areas with a gender perspective of the Action Plan for Economic Diversification for the Blue Economy through science, technology and innovation; (v) the tabling in Parliament of the Biological Diversity and Conservation Bill; (vi) the approval of the Policy on Proper Management of Marine Resources by the BEST Commission; and (vii) the operation of the Inter-Departmental Blue Economy Coordination Group that coordinates national agencies with responsibilities for ocean affairs and marine resources, including having periodic meetings and biannual reports on activities.

B. Key results indicators

- 1.60 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 license registration. Progress in these indicators should contribute to the improvement of the ease of doing business score and to the improvement of the employment levels 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).
- 1.61 **Beneficiaries.** Among the direct individual beneficiaries, the program will benefit the MSMEs participating of the Business Continuity (COVID-19 relief program)¹¹² and several institutions strengthened by the reforms, in particular, the Ministry of Environment, the Department of Environmental Planning and Protection, The BNT and the Inter-Departmental Blue Economy Coordination Group. The direct non-individual beneficiaries include: the group of MSMEs in general and the group of formal companies in general¹¹³ that will benefit from the reforms to improve the

¹¹¹ The Management Plans will include consultations with the affected communities, and support for alternative livelihoods, with a gender perspective (PMDU).

¹¹² 284 small businesses were approved for loan financing– representing a collective \$19.4 million in funding.

¹¹³ Based on 2018 administrative data provided by the Department of Inland Revenue, SBDC's document "MSME Uncovered" reports about 23 thousand registered companies. According to the report, 98% are MSMEs.

business climate; different actors of the Blue Economy sector¹¹⁴ that will benefit from the initiatives to promote its development; and the citizens of the country in general that will enjoy the benefits of the marine protected areas (better natural barriers for environmental resilience and more sustainable fishing) including positive externalities 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).

- 1.62 **Economic Evaluation.** Based on the recommendations of the Office of Evaluation and Oversight in its 2011 Evaluability Review of Bank Projects¹¹⁵ 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)¹¹⁶ 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,¹¹⁷ 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 first operation in a programmatic series consisting of two contractually independent and technically linked loans, pursuant to the stipulations in PBLs: Guidelines for Preparation and Implementation (CS-3633-2). The PBP is the appropriate PBL 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.
- 2.2 **Dimension.** The financing is US\$200 million from the Ordinary Capital. The amount is justified since The Bahamas' broad need for fiscal resources is not directly related to the reform-associated costs, as per PBLs: Guidelines for Preparation and Implementation (CS-3633-2) (paragraph 3.27(b)). The public

¹¹⁴ A computation based on administrative records from the National Insurance Board indicates that 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).

¹¹⁵ 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."

¹¹⁶ "Good Practice Standards for the Evaluation of Public Sector Operations." Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition. Feb. 2012.

¹¹⁷ 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.

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 10.2% and 9.4% of those requirements, respectively and 32% of all multilateral funding.¹¹⁸

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, which are expected to have direct positive effects on the environment and natural resources. 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.

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. The main medium-high risks identified were: (i) Fiscal Sustainability - due to the fact that the economy is highly vulnerable to external shocks, government priorities might change during program implementation; this risk will be mitigated with the coordination of deliverables of the program with the ERC, given that many of the indicators are also part of their mandate; and (ii) Development - due to current limitations of access to data, there could be insufficient data needed to quantify the gaps that supports the evaluability and impact of the policies included in the program; this will be mitigated with the use of Technical Cooperation (TC) resources, "Support for Economic Diversification in The Bahamas" (ATN/CO-16734-BH), to support the institutions collaborating on data generation, management and diffusion, including activities to measure the economic impact on the Blue Economy.

2.6 **Sustainability.** The programmatic series was prepared in a context in which the Government of The Bahamas was engaged in an important series of reforms towards promoting economic growth in a sustainable and resilient manner, as captured by The Bahamas National Development Plan: Vision 2040 and in the ERC Report. The program design contains elements that will support the sustainability of the projects as it creates and endorses coordination mechanisms and supports the technical strengthening of the institutions involved, 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

¹¹⁸ This includes a US\$250 million RFI with the IMF (approved); US\$80 million energy investment loan with the IDB (approved); US\$200 million PBL with the IDB; US\$40 million health loan with the IDB; and US\$350 million guaranteed loan from The Multilateral Investment Guarantee Agency (MIGA).

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 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 for intervention. Finally, the government will establish 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 (¶1.31). The Group will articulate 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 the first 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. Before processing the second operation, the Bank will issue a progress report reviewing the program's development, the progress made in the reforms, and the triggers, and will identify any changes and adjustments that may be required to meet program targets (see [Monitoring and Evaluation Plan](#)).
- 3.5 **Evaluation.** The methodologies proposed for the evaluation of the program are quantitative but 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 in order 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 attempted to complement reflexive comparisons in order to evaluate the

effectiveness of the Business Continuity Program (MSME COVID-19 program). 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 PCR covering both programmatic phases 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](#) of May 26, 2020 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-L1050
I. Corporate and Country Priorities		
1. IDB Development Objectives		
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Climate Change and Environmental Sustainability -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Terrestrial and marine areas with improved management (ha)* -Business environment reforms enacted (#)*	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2920-1	Pillar 3: Enhancing the enabling environment for private sector competitiveness by promoting innovation and innovative practices in traditional (eg sustainable tourism) and nontraditional (eg agroindustry, Blue Economy and manufacturing) sectors and rationalizing government regulation that hinder business registration, operation and dispute resolution
Country Program Results Matrix		The intervention is not included in the 2020 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		6.0
3.1 Program Diagnosis		1.8
3.2 Proposed Interventions or Solutions		1.7
3.3 Results Matrix Quality		2.5
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		8.5
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
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 of the operation is supported by Technical Cooperation programs: (i) Unleashing New Avenues for Growth by Tackling Opportunities in the Blue Economy (ATN/OC-17047-RG), that addresses valuation and policy actions; (ii) Support for Economic Diversification in The Bahamas (ATN/CO-16734-BH,ATN/OC-16732-BH,ATN/OC-16733-BH), that supports economic diversification including the Blue Economy; and (iii) Regional Public Procurement Program to Advance Innovation and Private Sector (ATN/OC-17031-RG) that promotes the use of public procurement for innovation

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

The project "Boosting resilient and inclusive growth in the Bahamas (BH-L1050)" is the first of two operations in a programmatic policy-based loan series (PBP) that has, as a general objective, promoting competitiveness and environmental resiliency 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.

The project identifies certain challenges in the business climate, 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 resiliency. 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. However, the diagnostic lacks a quantification and evidence for some of the determinants of the identified problems.

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 expected impacts and results, as well as to monitor the implementation of the products to be generated during the program. In the case of the results 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 program in the region, and the type of intervention as well as data availability preclude the possibility of conducting an impact evaluation. As a result, the program plans to evaluate its effects using a simulation model (Component III) and before-and-after methodology (Component II). The M&E plan also includes a budget for the monitoring and evaluation of all the indicators.

BOOSTING RESILIENT AND INCLUSIVE GROWTH IN THE BAHAMAS

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	State of Compliance with Policy Conditions Programmatic I ¹	Triggers Programmatic II
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.	Fulfilled	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.
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 program) for MSMEs, providing financial support for eligible MSMEs, in operation.	Fulfilled (Q1 2020)	2.1 Program to support MSMEs in operation, providing services to MSMEs in areas such as development of innovative business models, digital businesses and remote training tools.
	2.2 Program for compliance with business licenses and business registration for MSMEs approved by the SBDC started.	Fulfilled (Q1 2020)	2.2 Program for compliance with business licenses and business registration in operation, including: (i) informal businesses receiving support for

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	State of Compliance with Policy Conditions Programmatic I ¹	Triggers Programmatic II
			registering; and (ii) new MSMEs registered.
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.	Fulfilled (Q4 2019)	2.3 Improve protection of minority stakeholders by improving the transparency and governance of the capital markets by introducing further precisions through the Securities Industry Takeover Rules amendment.
	2.4 Process of obtaining a business license streamlined through rolling out of provisional business license for low risk companies.	Fulfilled (Q2 2019)	2.4 Process of obtaining a business license streamlined through: (i) enhancement of the digital platform for registering a business by the Department of Inland Revenue; and (ii) increase the scope of low risk companies through the implementation of a risk rating framework for provisional licenses.
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 MoE.	Fulfilled (Q4 2019)	3.1 Ministry of Environment with budgetary allocation for its operation.
	3.2 Enactment of the Environmental Planning and Protection Act that creates the Department of Environmental Planning and Protection.	Fulfilled (Q4 2019)	3.2 Budgetary allocation for the new Department of Environmental Planning and Protection.

Components/ Policy Objectives	Policy Conditions Programmatic I	State of Compliance with Policy Conditions Programmatic I ¹	Triggers Programmatic II
	3.3 Amendment of the Bahamas National Trust Bill that strengthens the structure and governance of MPA management.	Fulfilled (Q4 2019)	3.3 New structure of the Bahamas Trust Fund in operation including: (i) new governance guidelines for the Governing Council of the BNT; (ii) provisions for penalties for offenses in place; and (iii) submission of annual report on activities to the Council.
	3.4 Strengthening environmental resiliency by improving the system for management of MPAs by the Amendment of the Protected Areas Fund Bill.	Fulfilled (Q4 2019)	3.4 Strengthening of environmental resiliency by improving the system for management of MPAs through the implementation of: (i) governance guidelines for members of the Board; and (ii) quarterly report on activities of the Board to the Ministry.
	3.5 Submission to Cabinet of the proposal for the establishment of 43 Marine Protected Areas.	Fulfilled (Q2 2020)	3.5 Establishment of 43 new Marine Protected Areas and four have management Plans.
	3.6 Monitoring and Evaluation System in place in the BPAF.	Fulfilled (Q2 2020)	3.6 Monitoring and Evaluation System in operation, including a Spatially Based Decision Support System.
B. Strengthening the regulatory framework to protect the environment and natural resources	3.7 Enactment of the Environmental Protection (Control of Plastic Pollution) Act.	Fulfilled (Q4 2019)	3.7 Prohibition on single use of plastics, and on the release of balloons in effect.
	3.8 Procedures for Environmental Impact Assessment drafted by the Ministry of Environment.	Fulfilled (Q3 2020)	3.8 Environmental Impact Assessment Procedures tabled in Parliament.

Components/ Policy Objectives	Policy Conditions Programmatic I	State of Compliance with Policy Conditions Programmatic I ¹	Triggers Programmatic II
	3.9 Public Procurement Bill that allows for the government to develop sustainable procurement practices to reduce adverse environmental impact submitted to Cabinet.	Fulfilled (Q3 2020)	3.9 Public Procurement Bill tabled in Parliament.
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.	Fulfilled (Q3 2020)	3.10 Implementation of the short-term priority areas, with a gender perspective of the Action Plan for Economic Diversification for the Blue Economy through science, technology and innovation.
	3.11 The Biological Diversity and Conservation Bill drafted and consulted with stakeholders.	Fulfilled (Q3 2020)	3.11 The Biological Diversity and Conservation Bill tabled in Parliament.
	3.12 Commissioning of the preparation of the Policy on Proper Management of Maritime Resources for Research and Innovation.	Fulfilled (Q1 2020)	3.12 Policy on Proper Management of Marine Resources for Research and Innovation approved by the BEST Commission.
	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 and presented to Cabinet.	Fulfilled (Q3 2020)	3.13 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 biannual reports on activities.

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.
-----------------------------	---

GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measurement	Base line	Expected year for achievement	Target	Means of Verification	Comments
General development objective: Promoting competitiveness and environmental resiliency of The Commonwealth of The Bahamas						
Ease of doing business score	Index	59.9	2024	60	World Development Indicators (The World Bank)	The index measures the distance of an economy to the "frontier," which represents the best performance observed on each Doing Business topic across all economies and years included since 2005. An economy's distance to frontier is indicated on a scale from 0 to 100, where 0 represents the lowest performance and 100 the frontier. For example, a score of 60 in 2019 means an economy was 40 percentage points away from the frontier constructed from the best performances across all economies and across time. A score of 70 in 2024 would indicate the economy is improving. The baseline is taken for the year 2019 from the indicated source. Given the adverse conditions imposed by the current COVID crisis, the target is set to at least recover the conditions to conduct businesses observed in the pre-crisis period.
Annual average number of workers of MSMEs participating in the business continuity program	Workers	7	2024	7	Administrative records of the National Insurance Board and the SBDC	The Business Continuity Program COVID-19 requires participants to keep at least 51% of its labor force after the productive shock generated by the COVID pandemic. The indicator seeks to measure if by 2024 employment levels were restored to baseline levels. The baseline is just referential and corresponds to the average value of the number of workers observed in all MSMEs operating in all the productive sectors of the country in 2019 reporting to the National Insurance Board. The target is set to be consistent with other emergency programs related to support to MSMEs in front of the COVID19 crisis that use a similar impact indicator.
Loss of annual income of inhabitants of areas influenced by MPAs	\$ millions	800	2024	825	Economic Valuation of Ecosystem	The indicator combines two inputs. First, a relative vulnerability index to coastal hazards that is applied to shoreline areas where coastal habitats (corals, coastal forests and seagrass beds) within MPAs

Indicators	Unit of measurement	Base line	Expected year for achievement	Target	Means of Verification	Comments
avoided after MPA's habitats protection from coastal hazards					Services in Bahamian Marine Protected Areas	reduced exposure along the shoreline. Second, the annual income figures of inhabitants within 1.5km of the shoreline currently protected by habitats within MPA boundaries. The baseline used in the matrix of US\$800 million is currently reflecting the protection gained thanks to all the network of existing MPAs according to the study of Arkema et al (2017). For the target, the following considerations were made: in principle, before the reforms there were 41 MPAs established covering about 13 million acres. The program will promote the establishment of 43 new MPAs covering about 8 million acres. But the new MPAs with actual Management Plans are expected to be only 4 for the second tranche of the PBP (the remaining 39 would gradually get those plans but after the implementation of the PBP). This implies an effective increase of about 10% over the baseline in terms of number of MPAs. In terms of covered surface, as those 4 MPAs with actual management plans are not yet defined, the actual coverage of those MPAs was unknown by the time this proposal was prepared. It was assumed that 5% of the expected increase in protected surface would be covered by those 4 new MPAs, this is 0.4 million acres (see the M&E Plan for an explanation of this assumption). Then if 13 million protected acres at the baseline were estimated to prevent US\$800 million losses, 13.4 would protect about US\$825 million. This is, the expected impact on the protection of losses is an increase of protection of 3.1%.

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measurement	Base line	Expected year for achievement	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						
Survival rate of MSMEs participating in the business continuity program	%	100	2022	80	Administrative records of the National Insurance Board and the SBDC	The indicator measures the percentage of firms participating in the Business Continuity Loan Program COVID19 that are still in operation in 2022 as a percentage of those registered at the baseline. The target is 2.5 times the survival rate (before Government support) of MSMEs hit by COVID19 observed in a country for which a recent assessment was conducted to quantify the effects of COVID19 to business continuity before government's intervention (see M&E Plan).
Number of days to obtain a business license registration	Days	40	2024	5	Key Performance Indicators of the Delivery Unit of the Prime Minister	The number of days to obtain a registration license is a typical indicator to measure administrative costs faced by firms in order to start a business (see Doing Business Reports of the World Bank and Ciriaci 2014 for a list of references in the literature supporting this statement). According to the PMDU 2018 Annual Report, at the baseline (2018), the time taken to obtain a new business license is around 40 days. The Government established in the same document a 2021 target of 24 hours for that indicator. The target set in this matrix has considered a more conservative goal of 5 days following the stationary trend observed for that indicator during the first part of 2019 (see the 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						
Annual contribution of nursery habitats in MPAs to spiny lobster catch	Millions of pounds	5.6	2024	5.75	Economic Valuation of Ecosystem Services in Bahamian Marine Protected Areas	The InVEST fisheries production model produces estimates of fisheries landings under different scenarios of habitat quality. The model as applied in The Bahamas in order to quantify the contribution of nursery habitats (e.g., mangroves and seagrasses) within the MPA network to lobster recruits and annual harvest. The baseline was adapted from the 2017 report which fitted the model to national level data. The rationale to explain the target is similar to the one explained for the coastal hazard model. Due to the reduced number of new MPAs with Management Plans by the time of the completion of this program, an increase of 3% of the baseline should be expected. It is important to mention that as by the

Indicators	Unit of measurement	Base line	Expected year for achievement	Target	Means of Verification	Comments
						time of preparation of the operation it was not exactly known which 4 MPAs were going to get Management Plans, it was not possible to discern about the dominant expected effect of MPAs. If the 4 MPAs were mainly nourishing habitats, then the expected effect should be as that described by the model, if the 4 MPAs were mainly areas for adults catch, then the indicator should be just landings and it should be expected to keep steady.
Value of Annual Imports of shopping plastic bags and containers per capita	US\$	29.38	2024	23	Customs administrative records	The indicator reports the annual value of imports of plastics boxes, cases, crates and similar articles; plastic shopping bags of polymers of ethylene; biodegradable plastic bags and shopping bags of other plastic registered in the customs administrative records, divided by the country's population. The baseline corresponds to 2019. The target reflects an expected reduction equivalent to half of that observed in some US States (see the M&E Plan).
Number of research permits issued to conduct scientific research on marine resources under ABS contracts/agreements	Permits	0	2024	10	Research and Bioprospecting Permitting System	The indicator measures the existing historic stock of research permits under ABS contracts/agreements in the country. The measurement of the indicator will be implemented together with the approval of the Biological Diversity and Conservation Bill included as Condition 3.11 in the Policy Matrix. The target of 10 research permits issued under ABS agreements in the next four years is in line with the expectations of the specialists of the country behind this initiative and will promote the development of maritime scientific work in the country.

OUTPUTS

Outputs	Unit	Base line Year	Base line	Target (2020)	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. Business Continuity Program (MSME COVID-19 relief program) for MSMEs in operation ¹	# of operational programs	2019	0	1	Official Report from the SBDC	SBDC
2.2. Program for compliance with business licenses and business registration for MSMEs approved and started ²	# of approved and started programs	2019	0	1	Official Report from the SBDC	SBDC
2.B. Modernizing the Business Climate for companies in The Bahamas.						
2.3.i. Amendment of the Companies Act to improve the protection of minority stakeholders approved ³	# of approved amendments	2019	0	1	Amendment of the Companies Act (Gazette No 6 of 2019)	Ministry of Finance
2.3.ii. Securities Industries Governance Rules to improve the protection of minority stakeholders approved ³	# of approved Rules	2019	0	1	Securities Industries Governance Rules approved and gazetted. (Gazette S.I # 49 2019).)	Ministry of Finance
2.4. Processes to obtain a business license streamlined ⁴	# of streamlined processes	2019	0	1	Official report from the PMDU	PMDU
Component 3. Modernizing the Institutional and Regulatory Framework for Better Environmental Resiliency						
3.A. Strengthening the institutions to protect The Bahamas' environment and natural resources.						
3.1. Ministry of Environment created ⁵	# of created Ministries	2019	0	1	Ministry of Environment Bill approved (Gazette No. 39 of 2019)	MoE
3.2. Department of Environmental Planning and Protection created	# of created Departments	2019	0	1	Environmental Planning and Protection Act approved (Gazette No. 40 of 2020)	MoE

¹ "In operation" indicates that the program has made a call for participants and has already treated some beneficiaries.

² "Started" indicates that the program has already accepted and processed cases of business licenses and business registration for some MSMEs.

³ "Approved" indicates that the amendment was legally approved and officially published.

⁴ "Streamlined processes" indicate the number of processes to obtain a business license that were simplified. In this case, the "provisional business license for low risk companies" included in the respective condition of the policy matrix simplifies the process of starting a businesses by granting licenses to start operations to those businesses that are deemed as low risk while they wait for approvals from other government agencies such as the Department of Physical Planning, the Ministry of Works or the Environmental Health Services.

⁵ "Created" refers to the official constitution of the referred institution (as stated by official communication of the government).

Outputs	Unit	Base line Year	Base line	Target (2020)	Means of Verification	Responsible Entity
3.3. Amendment of the Bahamas National Trust Bill approved	# of approved amendments	2019	0	1	Amendment of the Bahamas National Trust Bill approved (Gazette No. 41 of 2020)	Ministry of Environment
3.4. Amendment of the Protected Areas Fund Bill approved	# of approved amendments	2019	0	1	Amendment Protected Areas Fund Act approved (Gazette No. 37 of 2020)	BNT
3.5. Proposal to establish 43 new Marine Protected Areas submitted ⁶ to Cabinet	# of submitted proposals	2019	0	1	Official Report from the MoE	MoE
3.6. Monitoring and Evaluation System for Marine Protected Areas in place	# of systems in place	2019	0	1	Official Report from the BPAF	BPAF
3.B. Strengthening the regulatory framework to protect the environment and natural resources.						
3.7. Environmental Protection Act (Control of Plastic Pollution) enacted	# of enacted Acts	2019	0	1	Environmental Protection Act. enacted (Gazette No. 38 of 2020)	Ministry of Environment
3.8. Procedures for Environmental Impact Assessment drafted by the Ministry of Environment to Cabinet ⁷	# of drafted documents	2019	0	1	Official Communication from the Ministry of Environment providing evidence of the procedures for Environmental Impact Assessment have been drafted	Ministry of Environment
3.9. Public Procurement Bill that allows for the government to develop sustainable procurement practices to reduce adverse environmental impact submitted to Cabinet	# of submitted Bills	2019	0	1	Official Communication from the Ministry of Finance submitting evidence of approval by Cabinet	Ministry of Finance
3.C. Enhancing science and governance of marine resources to develop the Blue Economy.						
3.10. Action Plan for Economic Diversification focusing on the Blue Economy drafted and consulted with stakeholders (including the gender perspective and with priority areas agreed) ⁸	# of drafted and consulted plans	2019	0	1	Official Communication from the Ministry of Finance including the draft of the Action Plan and Minutes from the stakeholders' workshop	Ministry of Finance
3.11. The Biological Diversity and Conservation Bill drafted and consulted with stakeholders	# of drafted and consulted Bills	2019	0	1	Official Communication from the BEST Commission	BEST Commission

⁶ "Submitted" indicates that the referred document was sent by the indicated responsible entity (Ministry of Finance) to the indicated recipient (Cabinet)

⁷ A "draft" is a piece of legislation technically written within the legislative standards of the country, that has not yet been introduced as a Bill.

⁸ "Consulted" indicates that stakeholders of the respective conditions were addressed in order to share information about the implications of the respective conditions and to gather feedback.

Outputs	Unit	Base line Year	Base line	Target (2020)	Means of Verification	Responsible Entity
3.12. Policy on Proper Management of Maritime Resources and Innovation commissioned	# of commissioned policies	2019	0	1	Official Communication from the BEST Commission	BEST Commission
3.13. Inter-Departmental Blue Economy Coordination Group established by the Ministry of Agriculture and Marine Resources and presented to Cabinet	# of established and presented coordination groups	2019	0	1	Official Communication from the Ministry of Finance with evidence that the request for establishment of the group has been presented to Cabinet	Ministry of Finance

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/20

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

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". Such financing will be for the amount of up to US\$200,000,000 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 ___ _____ 2020)