Office of Evaluation and Oversight

Independent Country Program Review

The Bahamas 2018-2022

IDB | IDB Invest

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Contents

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Acronyms and Abreviations

BRIF	Bahamas Resilient Infrastructure Fund
BSD	Bahamian Dollars
CCB	Country Department Caribbean
CCF	Contingent Credit Facility
CDC	Country Development Challenges
CP	Country Program
CPE	Country Program Evaluation
CS	Country Strategy
ECLAC	Economic Commission for Latin America and the Caribbean
EO	Expected Outcome
ER	Emergency Response
FY	Fiscal Year
GDP	Gross Domestic Product
ICPR	Independent Country Program Review
IDB	Inter-American Development Bank
IMF	International Monetary Fund
INV	Investment Loan
MSMEs	Micro, Small, and Medium-Sized Enterprises
NIF	National Investment Fund
NSG	Non-Sovereign Guaranteed

OVE	Office of Evaluation and Oversight
PBG	Policy-Based Guarantee
PBL	Policy-Based Loan
PBP	Programmatic Policy-Based Loan
PIU	Project Implementation Unit
SG	Sovereign-Guaranteed
SO	Strategic Objective
SOE	State-Owned Enterprise
TC	Technical Cooperation
WSC	Water and Sewage Corporation

Executive Summary

Purpose: This Independent Country Program Review (ICPR) analyzes the Inter-American Development Bank (IDB) Group's country strategy (CS) and country program (CP) with The Bahamas during the 2018–2022 period. ICPRs assess CS relevance and provide aggregate information on the alignment and execution of the corresponding CP as well as, data permitting, the CP's contribution to CS strategic objectives. ICPRs are primarily addressed to the IDB Group's Board of Executive Directors. They seek to provide the Board with relevant information to consider in the upcoming CS.

Context: At the outset of the CS, The Bahamas had an overall positive economic outlook in spite of challenges from reduced fiscal space, low diversification, and climate risks. However, Hurricane Dorian and the Covid-19 pandemic had devastating human and economic impacts. Copious recovery spending over the last three years of the strategy period left the country's public finances in a "perilous state" (IMF 2022). The resulting high debt load, successive credit rating downgrades, and expenditure commitments have left the country with reduced room to maneuver to support recovery measures or implement resilience measures for future emergencies.

Objectives and crosscutting issues: The CS established 11 strategic objectives and 11 expected outcomes in three priority areas: (i) public sector effectiveness, (ii) resilient infrastructure for growth, and (iii) enabling environment for private sector development. In addition, the CS proposed gender, data, and climate change and disaster risk management as crosscutting issues to be addressed through the priority areas.

Relevance of the CS objectives and design: The objectives were based on the needs identified in a systematic diagnosis prepared by the IDB Group, the 2018 Country Development Challenges report, and aligned with the national priorities established in the National Development Plan 2018–2022. Furthermore, the CS objectives provided continuity with the legacy portfolio and leveraged IDB Group expertise gained previously in the country. However, the strategy's relevance as a guide for the CP was diminished by three factors. First, key macroeconomic and implementation capacity risks were not adequately addressed by proposed mitigation measures. Second, given the small planned financial envelope size, the objectives covered a wide range of sectors. Crosscutting issues, that were addressed directly by the program, further dispersed the strategy's focus. Finally, the CS design had evaluability deficiencies, including inconsistencies in the vertical logic, that impeded effective monitoring of the CP.

Country program: The CP consisted of 63 operations totaling US$1.09 billion. During the strategy period, the Bank approved US$855.8 million in 32 sovereign-guaranteed (SG) operations. The reimbursable operations consisted of six investment loans, two policy-based loans, and one policy-based guarantee. The IDB also approved 23 non-reimbursable operations, consisting of two investment grants for a total of US$14.6 million and 21 technical cooperations with a total value of US$6.2 million. The non-sovereign-guaranteed (NSG) portfolio approved under the strategy included two senior loans for a total of US$42.2 million and six advisory services for a total of US$272,978. In addition, the program included two senior loans that closed prior to CS approval but had Expanded Supervision Reports prepared and validated by OVE during the review period. These loans are considered here, as their results were deemed likely to materialize during the CS period. Finally, the program included 21 SG legacy operations that, as of the strategy's approval on May 18, 2018, still had an undisbursed balance of US$191.7 million.

Program alignment: The program was aligned to varying degrees with the CS objectives. OVE considered the CP *strongly aligned* with seven objectives and *weakly aligned* with the remaining four objectives. Alignment weaknesses were due to the failure to incorporate operations designed to achieve certain expected outcomes or operations with sufficient breadth and depth to generate change. Almost one in three loan operations was not aligned with the CS, and these loan operations comprised almost 15% of the total CP financing. The crosscutting themes of data collection and dissemination, gender, and climate change and disaster risk management were integrated into approximately 40%, 35%, and 60% of program operations, respectively.

Program implementation: SG disbursements (US$563.5 million) took off during the review period, greatly surpassing the CS estimate (US$183 million) as well as total disbursements over the last strategy period (US$133.6 million). These improvements were the result of the disbursement of two policy-based operations, which represented 60% of the total disbursed amount, and the more frequent use of retroactive financing in investment operations approved during the period. Preparation times and costs were lower than Bank or Country Department Caribbean averages. The lack of political consensus and procurement delays remained the main implementation challenges affecting the CP.

Program contribution to CS objectives: Overall, OVE found that the CP contributed little to achieving CS objectives. The CP contribution was low for three objectives and medium or high for four objectives, and there was no contribution to four objectives. Two factors affected the contribution. First, given the low level of disbursement in the preceding strategy period, the legacy project portfolio was still in the early stages of disbursement in 2018. Irrespective of their age, less than a third of legacy operations had disbursed more than a third of approved resources at the start of the strategy period. Thus, they did not have the depth to successfully produce results within the CS period. Similarly, the majority of new operations were approved in the strategy's last three years, which is too short of a period to present results. Second, the strategy's objectives were too many relative to the size of the CP, with effective contribution to each CS objective depending on the performance of one or two projects in most cases.

Conclusions: The Bahamas started the period with an overall positive outlook. In this context, the CS set objectives based on the country's needs and priorities. Yet, these objectives proved to be too ample given the financial envelope planned and the previous experiences in program implementation. The subsequent shocks from Hurricane Dorian and the Covid-19 pandemic posed significant, unexpected additional challenges. The overall contribution of the CP to the objectives was generally low because both legacy and recently approved operations were in the early stages of execution. The approval of fast-disbursing policy-based operations, allowed the IDB Group to address the country's short-term liquidity needs. The recurrent use of retroactive financing in investment loans allowed the Bank to move forward in project implementation, but without resolving persistent implementation capacity issues. The latter raises questions about the additionality beyond the financing of the investment loans implemented during this period and whether the implementation risks were well diagnosed or mitigation measures well targeted. For IDB Invest, high liquidity levels in the corporates segment; the pandemic slowdown; and credit institutions' lack of appetite for serving local micro, small, and medium-sized enterprises remained critical barriers to building an NSG portfolio. Despite the challenges, IDB Invest approved and signed a renewable energy project, and continues to pursue additional opportunities in the renewable energy sector as well as in other infrastructure and corporate segments.

01

Introduction

1.1 This Independent Country Program Review (ICPR) analyzes the Inter-American Development Bank (IDB) Group's 2018–2022 country strategy (CS) with The Bahamas and the associated country program (CP). ICPRs are independent reviews that assess the relevance of the CS and provide aggregate information on the CP's relevance and implementation. To the extent that available information allows, ICPRs also report on CPs' effectiveness. In accordance with the Country Product Protocol of the Office of Evaluation and Oversight (OVE), ICPRs focus mainly on accountability and therefore do not formulate recommendations. Rather, ICPRs provide conclusions to inform the consideration of the upcoming CS by the IDB Group Board of Executive Directors and for Management to consider to the extent it deems useful.

1.2 ICPRs are based on an extensive review of documents and a triangulation of information from IDB Group specialists and external informants. OVE reviewed the IDB Group's Country Development Challenges (CDC) document and the diagnoses of other donors and summarized them in a section on the country context. It also evaluated the relevance of the objectives set out in the 2018–2022 CS, described the CP, analyzed the CP's alignment with the CS, and examined the implementation of the CP and its contributions to the objectives set out in the CS. The ICPR is based on a systematic review of documentary information on operations and inputs derived from a combination of semi-structured questionnaires and virtual interviews with more than 30 informants, including IDB Group Management, IDB specialists in charge of operations, and their counterparts in the government of The Bahamas.

02

Country Context

2.1 The Bahamas is a 700-island archipelago with a highly concentrated economy. Despite a rising gross domestic product (GDP) over the past three decades and the highest GDP per capita among IDB borrowing countries, the country's exposure to natural disasters and global economic shocks makes it vulnerable. Over the five-year CS period, this inherent vulnerability was tested multiple times by unprecedented natural disasters that radically shifted the country context.

2.2 In September 2019, Hurricane Dorian, the most powerful and destructive hurricane to ever hit The Bahamas, battered the Abaco and Grand Bahama islands over a three-day period. As documented in consecutive 2020 and 2021 assessments by the IDB and United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the hurricane's direct human and financial costs were high: more than 370 deaths, 200+ persons injured, 29,472 persons affected[1] by damage to their homes and assets, US$3.4 billion in loss and damages, and a percentage-point decrease in GDP.

2.3 Six months later, with The Bahamas still in the midst of post-hurricane recovery, Covid-19 was declared a global pandemic. The most pronounced effects were felt in 2020 and 2021, when the country closed its borders to international travelers for four months and imposed significant movement restrictions domestically. Tourism, the country's economic engine, was the most affected sector and accounted for approximately 83% of total economic losses (Deopersad et al. 2020; Bello et al. 2022).

A. Macroeconomic context

2.4 The Bahamas entered the strategy period with an overall positive economic outlook. GDP grew 1.8% in 2018 and 1.9% in 2019, above the country's average annual growth rate of 1.1% for the decade.[2] The onset of the Covid-19 pandemic disrupted this trend and caused an abrupt GDP contraction of 23.8% in the first year of the pandemic. From February 2020 through January 2023, the Bahamas suffered an estimated US$9.5 billion in economic losses,[3] principally as a result of the dramatic reduction in tourist arrivals (Bello et al. 2022).

1 In 2021 the total population of the country was 407,906 inhabitants, World Bank 2022.

2 See Table I.1.1 in the Annex.

3 These losses included additional costs of the health sector (related, for example, to prevention, treatment, and general supplies), costs in education due to the reduction in days of classes and lost tuition fees, reduction of income from rental housing by foreigners, reduction in tourism activities, losses in commercial sales, decrease in transportation demand, and increased electricity consumption in homes.

2.5 Though expected to be temporary, high inflation at the start of the strategy period persisted. Headline inflation averaged 2.3% in 2018, largely because of an increase in the value-added tax rate and fuel prices (IMF 2019). Though rising again in 2019, to 2.5%, core inflation was at that point considered contained and likely to decline in the coming years. However, according to International Monetary Fund (IMF) estimates, inflation remains elevated. The Bahamas' dependence on imports makes prices highly sensitive to international supply chain disruptions and commodity price shocks, such as those occasioned by the Russian invasion of Ukraine.

B. Fiscal context

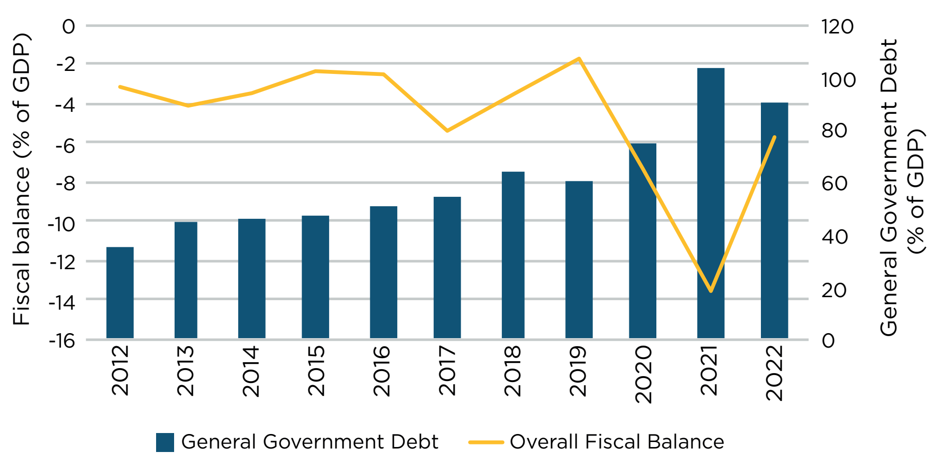
2.6 In 2019, The Bahamas recorded the third-largest overall increase in tax-to-GDP ratio (2.1 percentage points) in Latin America and the Caribbean. Tax reforms—aimed at reducing the deficit—brought the country's tax-to-GDP ratio (18.2%) closer to the regional average (22.9%) (IDB et al. 2021).

2.7 Yet, public debt continued to grow at a rapid pace. Steady increases in the debt-to-GDP ratio—from 44.1% of GDP in 2013 to 59.7% of GDP in 2019 (see Table I.1.1 in the Annex)—accelerated from 2020 (see Figure 2.1). In response to the Covid-19 emergency, the government dramatically expanded social safety net programs, providing upward of US$337.2 million in benefits to affected households.[4] These additional benefits, coupled with the loss of tourism revenue, increased the fiscal gap to 13.6% of GDP in fiscal year (FY) 2020/2021 and caused the debt-to-GDP ratio to jump to 75% in 2020 and 103.3% in 2021 (see Table I.1.1 in the Annex).

Figure 2.1

The Bahamas' fiscal balance and public debt

Source: World Bank. Macro Poverty Outlook for the Bahamas. Macro Poverty Outlook for Latin America and the Caribbean.



4 For further information, refer to the *Assessment of the Effects and Impacts of Hurricane Dorian in The Bahamas* (Doepersad et al. 2020) and *Assessment of the Effects and Impacts of the COVID-19 Pandemic in The Bahamas*, Bello et al. 2022.

C. Social development

2.8 In 2018, The Bahamas was classified as having very high human development. The country ranked second highest among Country Department Caribbean (CCB) countries and fourth highest among all IDB Group borrowing members on the United Nations Development Programme's 2018 Human Development Index. Between 2013 and 2019, the country notched steady increases in key social indicators such as life expectancy, mean years of schooling, and expected years of schooling, while reducing infant mortality and unemployment rates (see Table I.1.2 in the Annex).

2.9 The back-to-back emergencies significantly worsened the social situation in the country. The widespread consequences of social sector damages, losses, and additional recovery costs from Hurricane Dorian (estimated at US$1.8 billion) and Covid-19 negatively affected the great majority of the population. An April 2020 survey found that 72.5% of households had experienced an income loss and 80.6% of low-income households had suffered an employment loss in the immediate aftermath of Covid-19 lockdowns (Arteaga Garavito et al. 2020). The national unemployment rate spiked to 25.6% in 2020, reversing the previous decade's downward trend, and remained above pre-pandemic levels through the end of the strategy period (See Table I.1.1 in the Annex). Schools nationally were closed to in-person learning from March 2020 through early 2022. Unequal access to the devices and Internet connections required to participate in online classes deepened existing educational challenges.

D. Business environment, private sector, and competitiveness

2.10 The Bahamian economy is heavily dependent on tourism,[5] tourism-related services, and financial services, which together contribute approximately 70% of the country's GDP (ITA 2022). These sectors are comprised of a small number of large international companies that concentrate resources such as labor and are the principal recipients of foreign direct investment. Yet, despite the outsized role of companies operating in these sectors, they make up only a small portion of the Bahamian private sector firms.[6] Micro, small, and medium-sized enterprises (MSMEs) accounted for 98% of registered companies in 2018.

5 The Bahamas has the highest Tourism Dependency Index in Latin America and the Caribbean, according to data through 2021, Galindo and Nuguer 2023.

6 Across the Caribbean region, micro, small, and medium-sized enterprises (MSMEs) are estimated to account for 70% to 85% of firms and contribute 60% to 70% of GDP and about 50% of employment. In The Bahamas, there are close to 23,000 business licenses, and it is estimated that MSMEs comprise 98% of them and hire 47% of all

2.11 MSMEs are critical to diversifying the country's economy, yet they face numerous structural impediments to growth. The Bahamas ranked 119th out of 190 countries on the 2020 World Bank Doing Business rankings due to the onerous time requirements and costs of the country's business regulations. Additional challenges include the high costs of trading across borders, the lack of reliable and affordable electricity, and limited access to credit. These challenges were amplified in the aftermath of Hurricane Dorian and the Covid-19 pandemic, causing 58.3% of MSMEs that were active in 2018 to temporarily or permanently close by October 2021 (UNDP 2021).

E. Return to normalcy

2.12 In November 2021, The Bahamas ended its Covid-19 state of emergency. Buoyed by a resurgent tourism sector, the economy grew 13.7% by year-end and was projected to grow 8% in 2022, and the unemployment rate dropped to an estimated 18% (see Table I.1.1 in the Annex). The fiscal deficit shrunk from 13.6% of GDP in FY 2020/2021 to 5.7% in FY 2021/2022. The effects of rising food, transport, and energy prices were minimized by price controls, a minimum wage increase, and tax and tariff exemptions.

2.13 Yet, after three and a half years of consecutive crises and copious recovery spending, the country's public finances are in a "perilous state" (IMF 2022). While climate change portends more regular and severe disasters, the country will have reduced options to support recovery or resilience measures in the short to medium term given its high debt load, successive credit rating downgrades,[7] and expenditure commitments.[8] government plans to broaden the tax base by adding new taxes (e.g., income and inheritance taxes) or increasing existing tax rates (Fraser 2022) were delayed during the pandemic but will be critical to support short-term recovery and long-term resilience in the face of future emergencies.

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employees, while contributing between 20% and 30% of GDP.

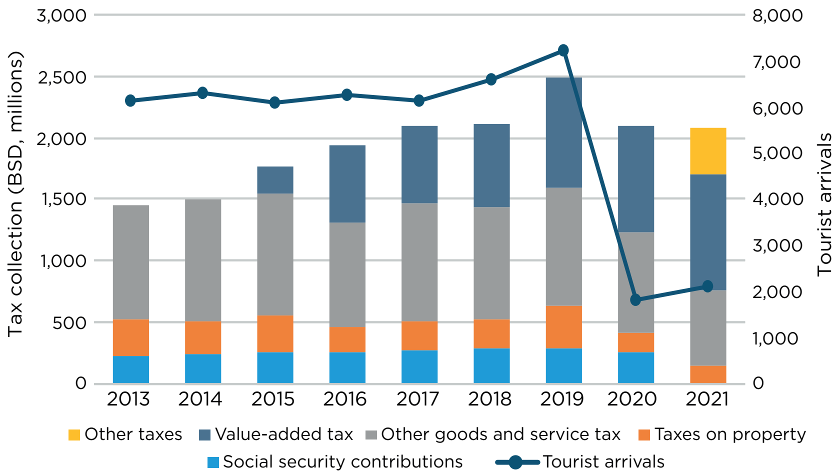
7 The Bahamas' sovereign risk rating was downgraded from its pre-pandemic BB+ rating to B+. In October 2022, Moody's agency downgraded the country's rating to B1 from Ba3, citing the "higher degree of government liquidity risk" stemming from the elevated borrowing costs to access bond financing on the international capital markets (Hartnell 2022).

8 The IMF notes the need to reduce subventions to state-owned enterprises as well as rising pension liabilities.

Figure 2.2

Tax revenue and tourist arrivals

Source: IMF, 2022, OECD, n.d, and WTO, 2022.



Note: The data source for tax revenue from 2013 to 2020 is OECD. The 2021 tax revenue data was calculated using the Central Government's FY 2019–2027 data from the 2022 Article IV.

03

Bahamas Country Strategy 2018-2022

3.1 The 2018–2022 CS with The Bahamas aimed to improve total factor productivity by encouraging innovation and efficiency. To achieve this goal, the CS established 11 strategic objectives (SOs) with 11 expected outcomes (EOs), as well as three crosscutting issues (see Table 3.1).[9]

Table 3.1. Strategic objectives and expected outcomes of the 2018–2022 Country Strategy

CS Strategic Objectives (SOs)	Expected Outcomes (EOs)
Strategic Area 1. Public Sector Effectiveness	
SO1. To support fiscal consolidation	EO1.1. Reduction in subsidies and transfers to SOEs
SO2. To strengthen institutional capacity for digital government	EO2.1. Improved quality and responsiveness of public sector services using an online platform
SO3. To strengthen the framework for integrity and transparency in the public sector	EO3.1 Increased perception of transparency within public services
Strategic Area 2. Resilient Infrastructure for Growth	
SO4. To improve institutional capacity for public-private coordination	EO4.1. Enhanced capacity for coordination between the public and private sectors
SO5. To upgrade air and seaport infrastructure, particularly in the Family Islands	EO5.1. Upgraded air and seaport infrastructure in compliance with international standards
SO6. To integrate multi-sectoral solutions to urban development and mobility in Nassau	EO6.1. Increased use of public mass transit
SO7. To strengthen the institutional capacity to regulate and modernize the energy sector	EO7.1. Integrated monitoring and evaluation of regulation
	EO7.2. Increased contribution of clean energy sources such as photovoltaic and liquefied natural gas
SO8. To expand water and wastewater services	EO8.1. Increased water and wastewater service coverage by the Water and Sewerage Corporation
Strategic Area 3. Enabling Environment for Private Sector Development	
SO9. To promote innovation and innovative practices in traditional (e.g., sustainable tourism) and nontraditional sectors (e.g., agro-industry, blue economy, and manufacturing)	EO9.1. Increased presence of innovation and innovative activities in the private sector
SO10. To address information asymmetries, high transaction costs, and access to capital	EO10.1. Improved business climate, innovation, and access to finance (by micro, small, and medium-sized enterprises).
SO11. To rationalize government regulations that hinder business registration, operation, and dispute resolution	
Crosscutting Issues	
Data collection and dissemination, gender, and climate resilience and disaster risk management	

Source: Bahamas Country Strategy Document (document GN-2920-1).

3.2 The CS SOs and EOs were mostly relevant to the country's priorities, as articulated in the Bahamas' *Vision2040: National Development Plan.* Vision2040 established 16 broad goals and 98 desired outcomes under four policy areas (see Box 3.1). The CS prioritized three of Vision2040's policy areas (governance, environment, and

9 In addition, the IDB Group sought to continue its dialogue with the government on issues related to human capital development—including education, labor markets, citizen security and justice, and social protection and health—with the aim of identifying potential opportunities to complement ongoing work to boost labor productivity.

economy). The 11 CS objectives aligned with seven development plan goals and specific corresponding Vision2040 desired outcomes. Notably, one EO—reduction in subsidies and transfers to state-owned enterprises (SOEs) had no relationship to outcomes prioritized by the Bahamian government.

Box 3.1. Vision2040: National Development Plan of The Bahamas

Vision2040, the government of The Bahamas' strategic development plan, established a long-term road map for the country's development over the ensuing two decades. Though not yet formally approved by Parliament, the initially published draft has been revised and updated, and the Economic Commission for Latin America and the Caribbean's Regional Observatory on Planning for Development notes that "Ministries are currently using this tool to guide their work and adjusting it to their responsibilities."

The plan is built around **four main policy pillars**:

(i) The **economy**, with the aim of creating a more resilient economy and job opportunities for Bahamians as well as promoting entrepreneurial activities and ownership;

(ii) **Governance**, with the aim of creating a more efficient and modern nation;

(iii) **Social sector**, with the aim of strengthening public safety, health care, education, and social services; and

(iv) The **environment**, with the aim of enhancing the natural environment while maximizing the value of built infrastructure.

Source: ECLAC, "Plan de Desarrollo Nacional: *Visión 2040," and Government of the Bahamas, Vision2040: National Development Plan of The Bahamas.*

3.3 The strategy's objectives were also relevant to the development needs identified in the IDB Group's CDC report. The CDC identified three constraints to The Bahamas' development: (i) low levels of public sector effectiveness, (ii) a challenging environment for the private sector, and (iii) human capital and social protection deficiencies. The strategy objectives focused only on challenges related to the first two constraints (i and ii), though the CS adopted all the CDC's crosscutting issues.

3.4 In setting objectives, the strategy sought to ensure continuity with the previous CS program and to leverage expertise gained previously in the country. Four of the SOs were consistent with objectives established under the previous CS (SO1, SO4, SO7, SO11), while another three were in sectors where the Bank had loans in implementation (SO5, SO6, SO8). Three of the remaining four SOs were associated with sectors in which the Bank had programmed loans in the run-up to the strategy's approval (SO2 and SO3) or in which preparatory diagnostic work had been financed under the previous strategy (SO9). Importantly, the objectives reflected recommendations stemming from the previous country program evaluation (CPE) related to enhancing public sector efficiency (CPE Recommendation 1), improving institutional capacity for public-private coordination (SO4 and CPE Recommendation 2), and upgrading infrastructure in the Family Islands (SO5 and CPE Recommendation 4).[10]

3.5 Identified risks were reasonable, yet not all were adequately addressed by proposed mitigation measures. The strategy's design identified three risks—(i) low execution capacity, (ii) macroeconomic risk, and (iii) natural disasters—that were drawn from findings and recommendations of the previous CPE and the CDC and did eventually materialize. To mitigate execution capacity risks to sovereign-guaranteed (SG) operations, the CS aimed to increase dialogue with the Government and increase training early in operations' implementation. However, this effort did not fully respond to the CPE's call to "diagnose the [systemic] factors underlying the country's weak institutional capacity and define an action plan to strengthen it."[11] The CS proposed addressing the macroeconomic risk of declining fiscal space by executing parts of the program. This was circular in logic: if the macroeconomic risk materialized, the government would not have the budget to execute the CP. The inclusion of the natural disasters risk was prescient, and the related mitigation measures were comprehensive in addressing both short-term liquidity risk and long-term infrastructure resilience risk.

3.6 The CS's usefulness in guiding the country program was affected by the strategy's breadth. Though the strategy's objectives were limited compared to those set out in Vision2040 and the CDC, the 11 SOs covered a wide range of sectors—too many relative to the size of the estimated financial envelope. Crosscutting issues further dispersed the strategy's focus. OVE's previous CPE underscored the government's limited implementation capacity [12] and the resulting routine and extended delays in procurement and disbursement. Considering these findings and the small planned portfolio size, the objectives' breadth was overly ambitious[13] and unrealistic in terms of what could be achieved.

10 Annex, section III provides a review of the recommendations and corresponding action plans.

11 The CPE found that "overall, the Bank's support was hampered by the country's limited institutional capacity to implement projects and by the lack of political consensus to move ahead with key sectoral reforms. Although the Bank made a significant effort to strengthen PIUs (Project Implementation Units) in its operations, implementation of these efforts was slow and results mixed. Some common issues appear to have included (i) overestimation of the Government's capacity to implement, (ii) inadequate ability of PIUs to coordinate complex projects, and (iii) inadequate identification of risks and corresponding mitigating measures" (OVE 2018, 34).

12 The CPE attributed the government's low implementation capacity to a lack of technical experts to design and implement financed programs, slow decision making, low coordination capacity, and lack of political commitment.

13 Given the government's history of weak execution capacity and the planned exclusive use of investment loans for reimbursable SG operations (the Bank's most execution-intensive loan instruments), the CS's wide range necessitated simultaneous and deep capacity building in multiple sectors.

3.7 Finally, weak evaluability also negatively affected CS usefulness as an effective monitoring tool. The Results Matrix had vertical logic deficiencies. Only 3 of the 11 SOs had a clear, logical relationship with their associated EOs (SO1, SO5, and SO8). In six instances, the SO was the step prior to the EO. In another instance, the SO and EO were the same (SO4 and EO 4.1). Both issues point to a problem in the order of precedence, as the SO was required to be achieved prior to the EO. Taken together, these issues would have impeded effective monitoring of the CP's contribution to the achievement of the CS objectives.

04

IDB Group Program and Alignment

A. Country program

4.1 The IDB Group program in The Bahamas consisted of 63 operations totaling US$1.09 billion.[14] During the period of analysis,[15] the Bank approved US$855.8 million[16] in 32 SG operations—more than five times the CS indicative financial envelope. The reimbursable operations consisted of six investment loans (INVs), two policy-based loans (PBLs), and one policy-based guarantee (PBG). The IDB also approved 23 non-reimbursable operations, consisting of two investment grants (IGR) for a total of US$14.6 million and 21 technical cooperations (TCs) with a total value of US$6.2 million. The non-sovereign-guaranteed (NSG) portfolio approved under the strategy period included two senior loans for a total of US$42.2 million and six advisory services for a total of US$272,978. In addition, the program included two senior loans that closed prior to CS approval but had Expanded Supervision Reports (XSR) prepared and validated by OVE during the review period and are considered as their results were deemed likely to materialize during the CS period. Finally, the program included 21 SG legacy operations that, as of the strategy's approval on May 30, 2018, still had an undisbursed balance of US$191.7 million.[17] Annex section IV details the SG and NSG portfolio under review.

4.2 The IDB's support extended beyond direct financing and included facilitating access to capital markets. In 2022, the IDB approved a PBG that supported the issuance of a US$385 million dual-tranche sovereign bond (see Box 4.1). The Bank's participation facilitated the country's access to capital markets in an oversubscribed offering despite its deteriorating fiscal position. The issuance had a mobilization ratio of 1.93:1, which was lower than expected (the operation's board document indicated that the project team was expecting to raise 4 times the guaranteed amount). The overall issuance cost was approximately 7.66% (including the IDB guarantee fee), which helped the country obtain a reduction of 1.20% in its financing cost compared to a similar a 12-year bond issued in late 2020.

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14 The portfolio includes six operations (for a total of US$1.37 million) under the Action Plan for C&D countries. They finance activities to support the modernization and strengthening of the beneficiary countries' technical and managerial capacity, to consolidate the institutional sustainability of public agencies and to promote more effective use of Bank project funds.

15 Consistent with the Country Product Protocol for OVE (document RE-348-8) (OVE 2022), the period of analysis ranges from May 30, 2018, to December 31, 2022.

16 This amount includes the US$200 million of the policy-based guarantee approved in 2022 (BH-U0001).

17 Legacy operations are all operations approved before the start of the review period (May 30, 2018) that had any undisbursed balance by this date, or that were both approved and fully disbursed between June 30, 2017 (the end point of OVE's last country product, CPE Bahamas 2010–2017), and May 30, 2018.

Box 4.1. *Policy-based guarantee to support Blue Economy' reforms*

The PBG is an SG loan instrument that can be used to cover sovereign bond risk for principal and/or interest payment obligations under a sovereign bond. PBGs are issued upon government completion of agreed policy reforms.

In 2022, the IDB approved a PBG (BH-U0001) with the general objective of promoting a more productive and healthier ocean in The Bahamas. Policy conditions aimed to foster growth in the blue economy and improve marine resources conservation. The PBG's maximum guaranteed amount is US$200 million by The Bahamas.

Source: OVE, with information from BH-U0001 Loan Proposal.

4.3 IDB Invest provided US$272,978 for advisory services to four clients, to build a project pipeline. The advisory services supported the structuring of renewable energy and/or energy efficiency projects in the pipeline. Two advisory services to the same client helped to develop one bankable renewable energy project. It is unclear whether the other advisory services delivered results in terms of strengthening firms' knowledge and capacities.

B. Program alignment

4.4 The country program was aligned[18] to varying degrees with CS objectives. OVE considers the CP strongly aligned with 7 of the 11 SOs. Of these, SOs related to private sector development (SO9, SO10, SO11) received the largest amount of financing under the CP. Meanwhile, SO7, strengthening the institutional capacity to regulate and modernize the energy sector, had the greatest number of aligned operations (though it was also one of only two SOs to have one of its expected outcomes completely unattended). OVE considered the CP weakly aligned with the remaining four SOs due to its failure to incorporate operations to achieve EOs (SO1, SO7) or operations sufficient to generate change (SO5, SO6). Finally, almost one in three loan operations were not aligned with the CS, and these operations accounted for almost 15% of the total CP financing. Legacy operations with objectives related to social development were not aligned with any of the current CS's objectives. Table 4.1 provides a summary overview of CP alignment.

18 The strength of a CP's alignment is assessed on the basis of its coverage (relevant operations were implemented to address all EOs in the SO) and feasibility (advances could be made across all EOs in the SO if these operations were implemented as designed). CS objectives for which the CP did not deploy relevant operations are placed in a "not covered" category.

Table 4.1. Sovereign-guaranteed (SG) and non-sovereign-guaranteed (NSG) country program alignment by strategic objectives

Strategic Objectives (SO) and Expected Outcomes (EO)			Legacy (balance to be disbursed)			Approvals (2018-2022)			Total
			SG	NSG	NR	SG	NSG	NR	
SO1. To support fiscal consolidation	EO1.1-Not Covered	US$M	32.0						32.0
		#	1						1
SO2. To strengthen institutional capacity for digital government	EO2.1-Strong	US$M	35.0			410.0		6.0	450.9
		#	2			4		4	10
SO3. To strengthen the framework for integrity and transparency in the public sector	EO3.1-Strong	US$M				30.0			30.0
		#				1			
SO4. To improve institutional capacity for public-private coordination	EO4.1-Strong	US$M			0.5	80.0		0.8	81.3
		#			2	1		1	4
SO5. To upgrade air and seaport infrastructure, particularly in the Family Islands	EO5.1-Weak	US$M	102.3		0.5			0.8	103.6
		#	4		2			1	7
SO6. To integrate multi-sectoral solutions to urban development and mobility in Nassau	EO6.1 Weak	US$M			0.7				0.7
		#			2				2
SO7. To strengthen the institutional capacity to regulate and modernize the energy sector	EO7.1-Not Covered	US$M							-
		#							0
	EO7.2-Strong	US$M		0		80.0	12.6	11.3	103.9
		#		2		1	7	5	15
SO8. To expand water and wastewater services	EO8.1-Strong	US$M	8.9						8.9
		#	1						1
SO9. To promote innovation and innovative practices in traditional and non traditional sectors	EO9.1-Strong	US$M			0.5	540.0	30	0.4	570.9
		#			1	3	1	3	8
SO10. To address information asymmetries, high transaction costs, and access to capital	EO10.1-Strong	US$M				25.0		1.2	26.2
		#				1		3	4
SO11. To rationalize Government regulations that hinder business registration, operation, and dispute resolution	EO10.1-Strong	US$M	3.0			570.0		0.2	573.2
		#	1			4		1	6
Not Aligned		US$M	42.6		0.7	120.0		3.0	166.3
		#	2		6	2		9	19
Total		US$M	189.0	0.0	2.7	835.0	42.5	20.8	1,090.0
		#	8	2	13	9	8	23	63

Source: OVE based on IDB Data Warehouse and project documents.
Note: Some operations are aligned with more than one strategic objective.

4.5 Though not contemplated in the CS, the CP approved US$119.5 million for emergency response (ER). Among its risk mitigation measures, the CS included approval of a contingent credit facility (CCF) to provide financial protection in the event of an emergency or natural disaster. In 2020, following Hurricane Dorian and the onset of the Covid-19 pandemic, the Bank approved three INVs focused solely on ER: one CCF operation to support Hurricane ER as well as one loan reformulation and one immediate public health response operation to support the response to the pandemic. None of the ER-specific operations were aligned with CS objectives. Some direct support was also channeled through components of loans geared toward other issues. Financing from the Bank's two PBLs, both conceived and approved during the pandemic, though not ER-focused, may have also indirectly provided support to ER measures.

4.6 The CP mainstreamed crosscutting issues to varying degrees. *Climate resilience and disaster risk management* was broadly incorporated, figuring in operations aligned with all but one SO.[19] Its near-total coverage was achieved by ensuring that all financed infrastructure was climate-change resilient, a mitigation measure proposed in the CS to address climate change risk. Moreover, for many of the operations, the issue was not secondary but rather their primary objective.[20] In addition, the Bank provided to the government of The Bahamas technical support for its preparedness for, response, and recovery from disasters and other hazards. These efforts led to the approval in 2023 of a PBL aiming to improve the country's governance for disaster risk management. *Timely data collection and dissemination* was incorporated especially through operations aligned with public sector effectiveness objectives.[21] *Gender*, the least mainstreamed of the three crosscutting issues, was not considered at all in operations aligned with SO1, SO6, and SO8. Overall, the crosscutting themes of data, gender, and climate change were integrated into approximately 40%, 35%, and 60% of program operations, respectively. Additional details are available in Table I.6.3 of the Annex.

19 In the infrastructure-related objectives, 100% of the operations aligned with SO4, SO5, and SO8 integrated climate change considerations into the diagnostic, components, or results indicators.

20 There were significant reforms that incorporated the crosscutting issue of climate resilience and disaster risk management in the policy-based operations approved during the period.

21 The main projects' activities focused on developing and implementing a National Strategy for Statistical Development and the enactment of the Statistical Act 2021 that resulted in the creation of the new Bahamas National Statistical Institute, an automated customs management system, and a digital health information system.

05

Program Implementation and Results

A. Program implementation

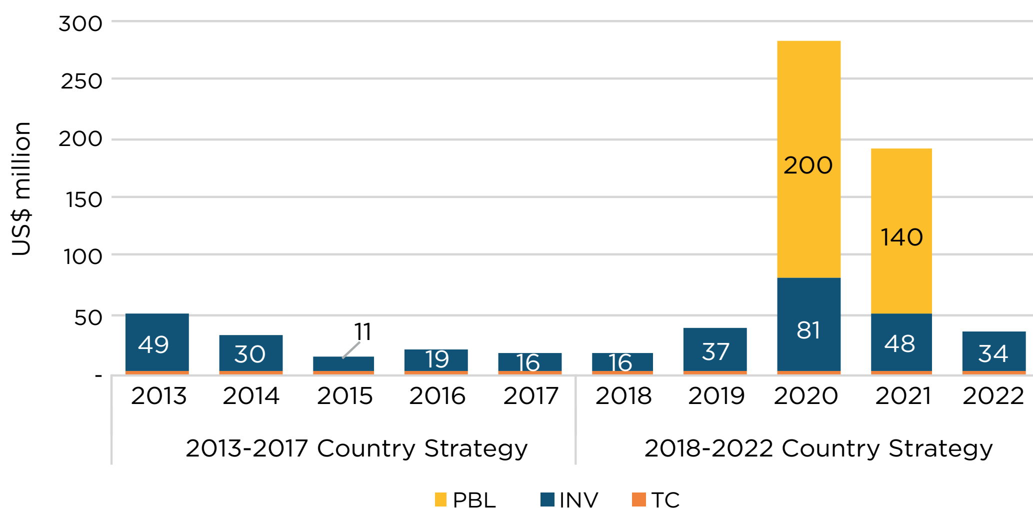
5.1 Average preparation time and expenses for SG loans were below Bank averages. INV preparation times averaged 6.7 months, significantly below CCB (16.8 months) and IDB (13.9 months) averages for the period. Even excluding two ER INV operations, approved within 2 months of their registration, average INV preparation time was 9.4 months.[22] Average INV preparation cost was US$3,222 per million approved, well below CCB and IDB averages of US$8,506 and US$6,444, respectively. For policy-based operations, the average preparation time (8.7 months) was comparable to the CCB average (9.4 months) but below the Bank-wide average (12.3 months). On average, the cost per million disbursed for policy-based loans in The Bahamas was US$579, slightly below IDB's (US$670) and CCB's (US$748) averages.[23]

5.2 SG disbursement took off during the review period. Total SG disbursements (US$563.5 million) greatly surpassed the CS estimate (US$183 million) as well as total disbursements over the last strategy period (US$133.6 million). Two fast-disbursing PBLs represented 60% of the total disbursed amount (see Figure 5.1). Yet even without the PBLs, INV disbursement performance improved, rising from an annual average of US$25.1 million during the previous strategy period to US$43.2 million.[24]

Figure 5.1

Disbursement amount per year in previous and current CS

Source: IDB Data Warehouse.



Note: The amount disbursed per year corresponds to the overall portfolio in execution during that year, and it is not linked to the operation's year of approval.

22 The ER operations correspond to BH-L1049 and BH-L1055. Excluding these two, the average time from registration to Board approval was 9.4 months.

23 For further details, see Annex section VII.

24 Excluding the disbursement of the CCF operation BH-L1049, the average annual disbursement of INVs during the period was US$27.2 million. On average, technical support disbursements remained similar during the period: US$1.6 million in 2013–2017 and US$1.5 million in 2018–2022.

5.3 Improved disbursement was not accompanied by a reduction in execution costs or improved execution capacity. Indeed, information from interviews and project monitoring reports signaled that the factors impeding project implementation during the previous strategy period persisted,[25] despite the Bank's deploying mitigation measures recommended under the previous CPE. The Bank spent virtually the same amount to execute during the current strategy period as the previous (US$29,927 and US$30,485 per million disbursed, respectively, on average). Four of the six legacy investment operations[26] required extensions. Though INVs approved or reformulated during the strategy period utilized loan resources more quickly than legacy loans, almost all allowed retroactive financing of activities already undertaken or underway by the government (see Figure 5.2 below).

5.4 These factors suggest that improvements in project execution were due not to the Bank's mitigation measures to strengthen institutional capacity but instead to the more frequent use of retroactive financing in operations approved during the current period. Of the nine SG operations approved or reformulated during the period, two were rapid-disbursing PBLs and six were INVs that allowed retroactive financing of activities completed, either prior to loan eligibility or to support ER. When compared to legacy operations, recently approved INV operations have higher percentages of disbursed amounts in shorter periods of time (see Figure 5.2). The fact that the country implemented project activities on its own (and to the satisfaction of the Bank) suggests that even complex projects can overcome The Bahamas' historical implementation-capacity constraints when there is a strong champion and political consensus; it also raises questions about the nonfinancial additionality of the INV implemented in The Bahamas over the CS period.

25 Principal among these were low procurement capacity and poor coordination between the Project Executing Unit and Executing Agency, beneficiary ministries, or sub-executors. Sources included Project Monitoring Reports, stakeholder interviews, and a recent report from the Office of the Executive Auditor.

26 This does not include BH-L1027 or BH-L1040, which were PBLs, nor BH-L1037, which was reformulated during the strategy period.

Figure 5.2

Summary of SG loan execution

Source: OVE, with data from IDB Datawarehouse.

Instrument and operation number		Legacy					CS Approvals 2018-2022					% Disbursed	% Cancelled	Recognition of expenses
		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022			
INV	BH-L1016	2012+				82%						100%	0.7%	1.2%
PBL	BH-L1027	2011+				32%						100%	68.4%	
INV	BH-L1028	2011+				89%						100%	0.0%	0.4%
INV	BH-L1033					12%						57%	0.0%	No
INV	BH-L1035					3%						37%	0.0%	No
INV	BH-L1040	2011+				100%						100%	0.3%	
INV	BH-L1041					0%						18%	0.0%	**20.0%**
INV	BH-L1043					0%						8%	0.0%	No
INV	BH-L1037[a]					0%						100%	0.0%	68.0%
INV	BH-L1045											24%	0.0%	20.0%
INV	BH-L1046											28%	0.0%	No
INV	BH-L1048											42%	0.0%	**20.0%**
INV	BH-L1049											100%	0.0%	**100.0%**
PBL	BH-L1050											100%	0.0%	
PBL	BH-L1052											100%	0.0%	
INV	BH-L1053											25%	0.0%	**20.0%**
INV	BH-L1055											77%	0.0%	**40.0%**

Note: The blue bar represents the original disbursement period. The orange bar represents the extension of the disbursement period. The percentages in the column "2017" represent the undisbursed amount of the legacy portfolio available at the beginning of the strategy period.
[a] BH-L1037 was approved in 2016 and reformulated in 2020.

5.5 Local market conditions still represent a critical barrier to building an NSG portfolio. IDB Invest made important origination efforts, with five operations categorized as being on the "path to approval" or at a more advanced stage during the period. Yet, transforming origination efforts into committed operations was challenging due to high liquidity levels and general pandemic-related concerns. For example, the financial intermediaries in the country are subsidiaries of international banks with high liquidity levels and low appetite to serve local MSMEs. According to the Central Bank, only 12.5% of loans are categorized as commercial. In the corporates segment, liquidity was also high.[27] Additionally, natural disasters and the pandemic also had an effect, as sponsors were wary of the economic outlook in the context of the pandemic slowdown.

B. Program contribution

5.6 Overall, as of the date this review was prepared, OVE found that the contribution of the CP to achieving CS objectives was low. The CP contribution was low for three SOs, medium for three SOs, and high for one SO, and made no contribution to four SOs. This is unsurprising for two reasons. First, given the low level of disbursement in the preceding strategy period, the legacy project portfolio was still in early stages of disbursement. Irrespective of their age, less than a third of legacy operations

27 For example, two operations—one with a telecommunications company and another with a health care provider did not move forward because the companies found adequate financing internally through their operations.

had disbursed more than a third of approved resources at the start of the strategy period. Thus, they did not have the depth to successfully produce results within the CS period. Similarly, the majority of new operations were approved in the strategy's last three years, which is too short of a period to present results. Second, the strategy's objectives were too many relative to the size of the CP. As such, effective contribution to each CS objective depended on the performance of one or two projects in most cases. The sections below provide more detail on the Bank's contribution to each SO.

Table 5.1. Strategic area 1: Enhancing public sector effectiveness

CS Strategic Objectives (SOs)	Expected Outcomes (EOs)	Contribution
SO1. To support fiscal consolidation	EO1.1. Reduction in subsidies and transfers to SOEs	No contribution
SO2. To strengthen institutional capacity for digital government	EO2.1. Improved quality and responsiveness of public sector services using an online platform	Medium
SO3. To strengthen the framework for integrity and transparency in the public sector	EO3.1 Increased perception of transparency within public services	Low

Source: OVE, based on portfolio review.

5.7 The CP did not contribute to support fiscal consolidation. A single legacy operation (BH-L1035) was weakly aligned with this SO. No activities were directly related to SOEs. The project's one output[28] that may have improved overall fiscal efficiency was never completed. Over the strategy period, the percentage of subsidies and transfers to SOEs measured as GDP percentage increased from 2.9% to 3.9% in FY 2021/2022.

5.8 The CP contributed moderately to strengthening institutional capacity for digital government. Multiple CP operations supported this SO.[29] *Government Digital Transformation to Strengthen Competitiveness* (BH-L1045/2018), approved in the Strategy's first year, gained importance during the pandemic by helping to place government procedures online and facilitate data exchange among government agencies, which was necessary for online service delivery. The Trade Support Programme (BH-L1016/2011)[30] contributed by modernizing the Bahamas Customs Department's operations, including implementation of the single-point-of-entry

28 This output was the Integrated Financial Management Information System, which is relevant to the strengthening of the government's public resource management. A new Public Financial Management Act, updated with support from the project, was passed, but its provisions have not been implemented.

29 BH-L1035/2014 financed several outputs that might have contributed to this SO (an e-procurement system and an information and communication technology system for monitoring the government's priority projects and programs) but were not used or completed.

30 The validation of the Project Completion Report (PCR) rated this objective as satisfactory, considering that the achievement ratio of this objective was 87%.

tool and online platforms that could be used to request permits or to pay import fees.[31] Over the strategy period, the e-Government Development Index score increased from 0.5 to 0.7, and the e-Participation Index score increased from 0.3 to 0.4.

5.9 The CP's contribution to strengthening the framework for integrity and transparency in the public sector was low. Despite the strong alignment of activities under Component 3 of BH-L1045/2018, they were not sufficiently advanced by the end of the strategy period. The Master Plan for the Implementation of the Freedom of Information Act had been financed by the project, but its implementation was still pending. The country's score on the Corruption Perception Index worsened slightly from its 2016 baseline, moving from 66 to 64.

Table 5.2. Strategic area 2: Resilient infrastructure for growth

CS Strategic Objectives (SOs)	Expected Outcomes (EOs)	Contribution
SO4. To improve institutional capacity for public-private coordination	EO4.1. Enhanced capacity for coordination between the public and private sectors	Low
SO5. To upgrade air and seaport infrastructure, particularly in the Family Islands	EO5.1. Upgraded air and seaport infrastructure in compliance with international standards	Medium
SO6. To integrate multi-sectoral solutions to urban development and mobility in Nassau	EO6.1. Increased use of public mass transit	No contribution
SO7. To strengthen the institutional capacity to regulate and modernize the energy sector	EO7.1. Integrated monitoring and evaluation of regulation	Low
	EO7.2. Increased contribution of clean energy sources such as photovoltaic and liquefied natural gas	
SO8. To expand water and wastewater services	EO8.1. Increased water and wastewater service coverage by the Water and Sewerage Corporation	High

Source: OVE, based on portfolio review.

5.10 The CP's contribution to enhancing capacity for coordination between the public and private sectors was low. Efforts under the energy operation BH-L1048/2020 to support private participation in a renewable energy fund through an Initial Public Offering have not advanced. Additionally, the CP did not implement the planned public-private partnerships for public airport infrastructure projects. Finally, technical support (BH-T1087/2022) for the design of the National Investment Fund (NIF), the Bahamas Resilient Infrastructure Fund (BRIF), and three dedicated sector-specific funds, including the Renewable

31 Other CP operations were approved during the strategy period that had not yet advanced sufficiently to contribute to the objectives. These include the policy reforms implemented by BH-L1052/2021, which supported the enhancement of the Department of Inland Revenue's digital platform for registering a business; BH-U0001/2022, which supported putting the fishing permitting process online and the launch of the first phase of the Port Digitization Project; and BH-L1053/2022, which seeks to create a national e-health records system.

Energy Fund with private participation, have shown significant advances in the legal and financial structuring. The NIF and the BRIF have been approved by Parliament and Cabinet respectively.

5.11 The CP contributed moderately to upgrading air and seaport infrastructure, particularly in the Family Islands. The various operations of the Air Transport Program (BH-L1027/2011, BH-L1040/2011, BH-L1041/2017) contributed to this SO. The program supported aviation sector reforms, including (i) the separation of the Civil Aviation Department's policymaking, regulatory, and operational functions; (ii) the creation of an independent and autonomous Civil Aviation Authority as the regulatory entity for the sector; (iii) the transfer of airport operation responsibilities to the Airport Authority; and (iv) the creation of the Aircraft Accident and Investigation Authority as an independent investigative agency. A 2021 audit showed the airport sector's significant advance toward international standards for legislation, organization, airworthiness, and accident investigation. However, planned upgrades to select Family Islands airports (North Eleuthera, Exuma, Marsh Harbour, and Treasure Cay) have not yet been completed (BH-L1041/2017). The only activity aiming to upgrade seaport infrastructure has not been completed.

5.12 The CP did not contribute to integrating multi-sectoral solutions to urban development and mobility in Nassau. A legacy TC that sought to enhance Nassau's bus system (BH-T1047/2016) did not move forward. The planned 18-month pilot of the Unified Bus System in Nassau ended after only 3 months, as key stakeholders did not agree with the proposed plan and challenged its implementation. A second legacy TC financed under the Bank's Emerging and Sustainable Cities Initiative, BH-T1045/2015, delivered various policy and knowledge products[32] but did not lead to follow-on investments and lost priority after the 2018 change in government.

5.13 The CP contribution to strengthening institutional capacity to regulate and modernize the energy sector was low. Both NSG and SG operations were aligned with this objective. An NSG operation financed installation of a manufacturing company's rooftop solar panels (with an installed capacity of 1.1 megawatts [MW]) recording a small amount of clean energy (1,500 MWh/year) generation from 2018 to 2020. The SG Reconstruction with Resilience operations (BH-L1048/2020 and BH-G0003/2021) are at an early stage of implementation. The Bank contributed to the strengthening of URCA and the regulatory framework for RE technologies, however, there is no evidence of higher use of energy from renewable sources. Progress has been made toward

32 These included an Urban Sustainability Action Plan for Nassau; a water sanitation diagnostic; and studies in energy efficiency, solid waste management, and urban mobility.

reconstructing and/or rehabilitating resilient transmission and distribution systems in Abaco. However, it is too soon to tell if they will meet renewable energy generation targets for New Providence and the Family Islands. The CP did not include a single operation to support integrated monitoring and evaluation of energy sector regulation. The installed MW capacity from clean energy sources increased from 0 MW in 2017 to 4.3 MW in 2022.[33]

5.14 The CP's contribution to expanding water and wastewater services was high. The Water and Sewage Corporation (WSC) Support Program in New Providence (BH-L1028/2011) supported improvements in potable water service provision by connecting nearly 2,000 households with no previous connection to the water system and reconnecting 1,000 households. Additionally, the program expanded WSC wastewater services by upgrading and rehabilitating sewerage infrastructure through an improved sanitation network covering 7,266 households and providing wastewater treatment for 11,300 households.[34] WSC potable water coverage increased from 50% of households in 2017 to 55% in 2022, and wastewater provision in New Providence increased from 14% of households to 15% in the same period.

Table 5.3. Strategic area 3: Enabling environment for private sector development

CS Strategic Objectives (SOs)	Expected Outcomes (EOs)	Contribution
SO9. To promote innovation and innovative practices in traditional and nontraditional sectors	EO9.1. Increased presence of innovation and innovative activities in the private sector	No contribution
SO10. To address information asymmetries, high transaction costs, and access to capital	EO10.1. Improved business climate, innovation, and access to finance	No contribution
SO11. To rationalize government regulations that hinder business registration, operation, and dispute resolution		Medium

Source: OVE, based on portfolio review.

5.15 The CP did not contribute to the promotion of innovation and innovative practices in traditional and nontraditional sectors. A US$200 million PBG approved in February 2022 (BH-U0001) has prepared the ground to increase innovation in the Bahamian blue economy. The policy conditions fulfilled under the program supported the creation of innovative business models related to the management of marine resources, MSMEs' business continuity during the pandemic, implementation of an action plan to jump-start blue-economy business models, and the preparation of a

33 This figure does not include the 11 MWp of installed capacity from the two solar PV generation systems financed under a recently approved and signed operation as the system is currently under construction.

34 According to the Bahamas National Statistical Institute, the Bahamas has 106,000 households nationally.

maritime resources management policy. There is no evidence to date, however, that new, innovative blue-economy businesses have been created. The indicator used in the CS matrix to monitor progress (percentage of innovative firms) was not updated over the strategy period, and proposed alternative indicators were not deemed comparable.

5.16 The CP did not contribute to addressing information asymmetries, high transaction costs, and MSME access to capital. No CP operations specifically addressed information asymmetries or firms' high transaction costs. A 2019 IDB operation (BH-L1046) aimed to support the Small Business Development Centre's partial guarantee program and business advisory services. The first guarantees have been issued, and some advisory services have been offered to MSMEs. The source of the four indicators used to track this objective's progress was discontinued.

5.17 The CP contribution to rationalizing government regulations that hinder business registration, operation, and dispute resolution was medium. Through BH-L1016/2012, the Bank contributed to improving the business climate and reducing the time and cost of international trade operations by automating customs management. The PBG (BH-U0001/2022) and programmatic policy-based loans (PBPs) (BH-L1050/2020 and BH-L1052/2021) included policy conditions focused on improving the protection of minority stakeholders, streamlining the process for obtaining a business license, promoting digitalization in the blue economy, and improving the procedures for obtaining fishing permits. Lastly, the digital government operation, BH-L1045, has reported progress in the simplification of government procedures, thereby contributing to the rationalization of government regulations. The source of the four indicators used to track this objective's progress was discontinued.

5.18 Crosscutting areas: climate resilience and disaster risk management. Though not included among the CS objectives and not directly contributing to EOs, climate resilience functioned as a quasi–CS objective and the CP contributed significantly to advances in that area. Deep policy reforms supported by the PBPs (BH-L1050 and BH-L1052)[35] and the PBG (BH-U0001)[36]

35 Notable, high-depth conditions that were fulfilled under the PBPs and that had significant impact are (i) the creation and operationalization of the Ministry of Environment, the Department of Environmental Planning and Protection, and the Inter-Departmental Blue Economy Coordination Group; (ii) Cabinet approval of 43 new marine protected areas; (iii) the enactment of the Environmental Protection (Control of Plastic Pollution) Act to prohibit single-use plastics and the release of balloons; and (iv) parliamentary approval of the Biological Resources and Traditional Knowledge Protection Bill, which includes the implementation of the access to benefit-sharing regime.

36 The PBG supported enhanced climate resilience and marine resource use and management through (i) the upgrade of the national building code, (ii) assessing disaster risk management governance and institutional capacity to effectively implement climate change adaptation and disaster risk management policies, (iii) the

strengthened the government's capacity to manage the environment and natural resources. In addition, the technical support provided to the government to improve its preparedness for, response, and recovery from disasters and other hazards led to the approval in 2023 of a PBL aiming to improve the country's governance for disaster risk management.

approval and implementation of the Maritime Security Plan to enforce legal fishing by the Royal Bahamas Defense Force, and (iv) the creation of business plans for community-based conch management.

06

Conclusions

6.1 At the beginning of the strategy period, The Bahamas had an overall positive economic outlook, though debt levels, low diversification, and natural disaster risks posed challenges to short- to medium-term growth. In the wake of back-to-back national emergencies, the government's dramatic expansion of social safety net programs deepened these challenges, which remained present as the strategic period closed.

6.2 The IDB Group's CS aimed to address these challenges and was supported by a CP that targeted country needs and priorities. However, the CP's breadth was overly ambitious given its size. As a result, various objectives were not addressed in sufficient depth or, in some instances, at all. OVE found low overall contribution to CS objectives, even for those that were highly aligned.

6.3 Mitigation measures to address execution capacity weaknesses identified in the last CPE did not have the desired effects. The recurrent use of retroactive financing in investment loans allowed the Bank to move forward in project implementation, but without resolving persistent implementation capacity issues. This raises questions about the additionally beyond financing of the investment loans implemented during this period and whether the implementation risks were well diagnosed or mitigation measures well targeted.

6.4 Finally, for IDB Invest, high liquidity levels in the corporates segment, the pandemic slowdown, and credit institutions' lack of appetite for serving local MSMEs remained critical barriers to building an NSG portfolio during the strategic period. Despite significant origination efforts, IDB Invest was unable to overcome these barriers to build a portfolio. Despite the challenges, IDB Invest approved and signed a renewable energy project, and continues to pursue additional opportunities in the renewable energy sector as well as in other infrastructure and corporate segments.

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