

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

THE BAHAMAS

**PUBLIC FINANCIAL MANAGEMENT AND PERFORMANCE MONITORING
REFORM**

(BH-L1035)

PROPOSAL FOR OPERATION DEVELOPMENT (POD)

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REQUIRED	
1.	Development Effectiveness Matrix http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=38872321
2.	Project Execution Plan (PEP) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=38872455
3.	Monitoring & Evaluation Arrangements http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=38872466
4.	Procurement Plan (PP) http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=38872455
OPTIONAL	
1.	Economic Analysis http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=38872485
2.	Problem Matrix http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=38872490
3.	Human resources and Payroll Deloitte assessment http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=38569521
4.	Risk Assessment http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=38879916
5.	Explanation of Logical Framework http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=38879920
6.	Institutional Arrangements and Execution Mechanism http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=38879923
7.	Detailed Budget http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=38872455
8.	Governance structure http://idbdocs.iadb.org/wsdocs/getDocument.aspx?Docnum=38970483

ABBREVIATIONS

AOP	Annual Operating Plan
BD	Budget Department
CARICOM	Caribbean Community and Common Market
CBA	Cost Benefit Analysis
CBB	Central Bank of The Bahamas
CC	Component Coordinator
CoA	Chart of Accounts
CS	Country Strategy
DAC	Development Assistance Committee
DIT	Department of Information and Technology
DoS	Department of Statistics
FFF	Flexible Financing Facility
FS	Financial Secretary
FY	Fiscal Year
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GoBH	The Government of the Commonwealth of The Bahamas
GRP	Project Risk Assessment
HR	Human Resources
ICT	Information Communication and Technology
IDB	Inter-American Development Bank
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IMF/FAD	Fiscal Affairs Department of the International Monetary Fund
IT	Information Technology
LMs	Line Ministries
MoF	Ministry of Finance
NDP	National Development Plan
NSDS	National Strategy for Statistical Development
NSO	National Statistics Office
NSS	National Statistical System
OC	Ordinary Capital
OPM	Office of the Prime Minister
PCR	Project Completion Report
PE	Public Expenditure
PEFA	Public Expenditure and Financial Accountability
PET	PRODEV Evaluation Tool
PEU	Project Execution Unit
PFM	Public Financial Management
PPU	Public Procurement Unit
PRODEV	Plan for Development Effectiveness
SC	Steering Committee
SEP	Sistema de Evaluación de PRODEV
TASC	Tool for Assessing Statistical Capacity
TB	Tenders Board
TD	Treasury Department
U.S.A.	United States of America
VAT	Value Added Tax
WAL	Weighted Average Life
WG	Working Group

PROJECT SUMMARY
THE BAHAMAS
PUBLIC FINANCIAL MANAGEMENT AND PERFORMANCE MONITORING REFORM
(BH-L1035)

Financial Terms and Conditions			
Borrower: The Commonwealth of The Bahamas (The Bahamas) Executing Agency: Ministry of Finance (MoF)		Flexible Financing Facility (FFF)*	
		Amortization period:	25 years
		Original Weighted Average Life (WAL):	15.25 years**
		Disbursement period:	5 years
		Grace period:	5.5 years
Source	Amount (US\$)	Supervision and Inspection Fee:	***
BID: Ordinary Capital (OC)	33,000,000	Interest Rate:	LIBOR based
Local:	0	Credit Fee:	***
Total:	33,000,000	Currency of approval:	US\$ dollars chargeable to the Ordinary Capital
Project at a Glance			
<p>Project objective. The overall objective of this operation is to strengthen the Government of the Commonwealth of The Bahamas' capacity to allocate, manage and monitor public resources. The specific objectives are: (i) to improve Public Financial Management (PFM) and public procurement for a more efficient use of public resources; and (ii) to enhance The Bahamas' capacity to monitor progress and implementation of key government priorities.</p>			
<p>Special contractual clauses prior to the first disbursement. The Ministry of Finance (MoF) will submit evidence to the Bank confirming that: (i) the Project Execution Unit has been set up, comprising the program coordinator, the procurement specialist and a senior financial specialist to carry out the planning, financing and information and communication technology procurement activities of the program, all in accordance with the terms of reference duly approved by the Bank; (ii) the Steering Committee (SC) of the program has been created; (iii) the head of the project execution unit and the component coordinators have been appointed; and (iv) the operations manual of the program has been approved by the executing agency on the terms previously approved by the Bank (¶2.3).</p>			
<p>Exceptions to Bank Policies: None.</p>			
Project qualifies for:	SEQ []	PTI []	Sector [] Geographic [] Headcount []

(*) Under the conditions of the Flexible Financing Facility (FN-655-1), the borrower has the option to request changes in the amortization timetable, as well as in the currency conversion and in the interest rates. For the consideration of those requests, the Bank will take into account the operating aspects related to risk management.

(**) The Weighted Average Life (WAL) could be lower according to the effective date of the Loan Contract's signature.

(***)The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable provision of the Bank's policy.

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed and Justification

- 1.1 The Commonwealth of The Bahamas (The Bahamas) Gross Domestic Product (GDP) per capita is that of a high income country, GDP growth trends at 2-3%, labor is highly skilled and tourism accounts for over 51% of the country's GDP. However, since 2008, fiscal performance worsened as deficits have more than doubled, debt accumulation escalated significantly, and unemployment rose to historic highs. Facing potential loss of its sovereign grade rating, a successful execution of its fiscal consolidation program¹ is necessary, including the modernization of the Public Financial Management (PFM) framework to support efficient and effective use of public resources.
- 1.2 **Economic performance.** Following a slow recovery from the 2009 global economic crisis, the economy of The Bahamas presented a modest performance in 2013. Real GDP grew by 0.7% (see Table I.1, line 1), the lowest since 2010.² The real GDP per capita in 2013 was US\$23,439, 6.2% less than its value before the global crisis (US\$24,907, see Table I.1, line 2). Regarding vulnerabilities, the internal market is small³ and the production base is narrow.⁴

Table I.1: The Bahamas public finance performance indicators

Description / Year	2007	2008	2009	2010	2011	2012	2013
1. Real GDP growth (%)	1.4	(2.3)	(4.2)	1.5	1.1	1.0	0.7
2. Nominal GDP per capita (US\$)	24,907	24,377	22,840	22,801	22,590	23,139	23,439
3. Total revenue (% of GDP)	16.1	17.3	16.9	16.5	18.1	17.6	16.1
4. Total expenditure (% of GDP)	18.3	19.1	21.6	20.8	22.7	23.1	22.6
5. Primary result	0.63	0.97	(1.26)	(1.18)	(1.15)	(1.49)	(2.26)
6. Central government debt (% of GDP)	36.9	39.0	50.2	54.3	55.0	60.8	66.2
7. Central government debt growth (%)	6.4	4.6	22.1	9.5	1.6	14.6	11.5

Source: The Bahamas Department of Statistics (DoS).

- 1.3 **Fiscal situation.** The fiscal situation in The Bahamas has deteriorated due to a sustained level of expenditure in the face of reduced revenue streams. From 2009 to 2013, The Bahamas faced consecutive primary⁵ deficits in its finances (Table I.1, line 5). This can mainly be explained by:
- a. **Narrow revenue base.** The country relies heavily on trade and tourism taxes as there are neither income nor Value Added Taxes (VAT). From 2011-2013, revenue decreased by 2.0% of GDP due to a slower than expected economic recovery and lower customs revenues.

¹ The Bahamas established a Medium-Term Fiscal Consolidation Plan in 2013.

² International Monetary Fund (IMF) Article IV 2013 and The Bahamas Department of Statistics.

³ The Bahamas has approximately 350,000 inhabitants.

⁴ Tourism and financial services account for 70% of output and 90% of tourists are from the United States of America (U.S.A.), which also accounts for 90% of imports and 70% of exports. As the U.S.A. has not fully recovered yet from the global economic crisis, The Bahamas is still lagging in its recovery. IDB Country Strategy (CS) 2013-2017.

⁵ Primary result = Difference between Total Revenue (excluding capital revenue) and Total Expenditure (excluding debt interests) – Official IMF definition.

- b. **Current spending, especially on wages and goods and services, remained elevated, increasing by 1.87% of GDP from 2010-2013.** Capital expenditure increased by 0.86% of GDP from 2009-2013, as an effort of the government to promote economic growth. However, the budget formulation is mainly incremental, based on the previous year's execution, and does not consider Line Ministries' (LMs)⁶ sectorial plans, reducing the effectiveness of the additional expenditure.⁷ Central government debt stock increased by 79.4% (from 36.9% to 66.2% of the GDP, 2007-2013), representing an annual average growth of 10% (see Table I.1, line 6). Interest paid on public debt grew from 1.53% to 2.34% of GDP, in the same period.
- c. **Weak institutional and management capacity.** The PRODEV Evaluation Tool (PET-2013)⁸ and the Tool for Assessing Statistical Capacity (TASC-2013),⁹ indicate that The Bahamas faces important low institutional and management capacity challenges that contribute to the current fiscal and economic deterioration. An ex ante evaluation carried out by the project team¹⁰ using approximately 50 PET indicators,¹¹ resulted in an average score of 0.9 out of 5.0, while seven countries¹² averaged a score of 2.5.

Table I.2: PRODEV Evaluation Tool (PET) – 2013

Indicators/Countries	CR	ES	GU	HO	NI	PN	DR	Avg	BH
1. Strategic Planning	2.7	2.1	2.1	2.7	2.7	2.5	3.0	2.5	0.2
2. Result Budget	2.3	1.7	2.2	2.1	2.3	2.2	1.7	2.1	0.8
3. Public Financial Management	3.7	3.3	3.6	2.7	3.2	3.3	3.1	3.3	2.5
4. Program and Projects Management	2.7	3.2	3.1	3.4	2.8	1.6	2.6	2.8	0.4
5. Monitoring and Evaluation	3.3	0.9	1.2	1.9	1.3	0.7	1.3	1.6	0.6
Average Score	2.9	2.2	2.4	2.6	2.5	2.1	2.3	2.5	0.9

1.4 **Challenges.** In this context, the main challenge to be addressed by this operation is The Bahamas' low institutional and management capacity to better allocate, manage and monitor resources, which ultimately contributes to the fiscal deterioration.¹³ The second level challenges include:

- a. **Challenge 1 - In performance monitoring.** The insufficient capacity to monitor implementation of government priorities in The Bahamas has been a

⁶ Line ministries are the government entities responsible for specific sector development and maintenance (ex: science and technology, health, tourism, finance, education and health, etc.).

⁷ GN-2731 - IDB Country Strategy with The Bahamas, 2013-2017.

⁸ It is important to mention that the 2013 PRODEV Evaluation Tool (PET) assessment is being reviewed by the government and is expected to be approved before project approval. This evaluation will be used as a baseline for the operation.

⁹ The Bank and the United States Census Bureau developed a self-evaluation tool and methodology known as the TASC, for measuring and evaluating the statistical operational capacity of National Statistical Offices and Statistical Systems.

¹⁰ See Monitoring and Evaluation Plan.

¹¹ Including strategic planning, results-based budgeting, PFM, program and project management, and monitoring and evaluation.

¹² Costa Rica (CR), El Salvador (ES), Guatemala (GU), Honduras (HO), Nicaragua (NI), Panamá (PN), and the Dominican Republic (DR).

¹³ The Bahamas is in process of implementing the VAT, to be completed by the end of 2014, which is expected to bring extra revenues to the government and substantially mitigate the fiscal deficit.

key factor undermining government effectiveness and has contributed to underperformance in the public sector¹⁴. There is an absence of a proactive, integrated and centralized mechanism to monitor government priority projects and programs, as well as an efficient coordination mechanism for stakeholders in key cross-sectorial policies, such as citizen security. In addition, the lack of an efficient monitoring system has also had a negative impact on the completion of public works, causing important delays and cost overruns.¹⁵ Finally, these practices also contrast with how most countries in the Latin America and the Caribbean region and in the Organisation for Economic Co-operation and Development have centralized and strengthened the performance monitoring function in the last 15 years.¹⁶

- b. **Challenge 2 - In statistics.** In The Bahamas, evidence-based policy making, as well as results-based public management, cannot operate effectively without reliable and timely data. As the demand grows in The Bahamas for more data in order to plan, budget, monitor and evaluate programs in a greater number of sectors, the weak institutional capacity of the National Statistical System (NSS) limits its ability to meet the demand.¹⁷ In a modern statistical system, the Department of Statistics (DoS) of The Bahamas would coordinate, direct and regulate the NSS. For this to be the case, a modern Statistics Act is needed in order to have a fully established and effective statistical system. The current Statistics Act, passed in 1973, describes the role of the Department of Statistics in very general terms and does not give it the authority to establish and regulate a NSS.¹⁸ Currently, the DoS and other data producers are a loose arrangement of units without a lead agency or well-defined strategy to coordinate production, each producing data for their own purposes. While data is produced, it is unclear how or if it is used for decision making. This clearly illustrates that there is not sufficient dialogue between producers and users of statistics and the lack of coordination between the agencies does not guarantee the production and dissemination of quality, timely statistical data that meets the country's needs. Within this situation, particular attention must be paid to strengthening the technical and institutional capacity¹⁹ of the DoS to position

¹⁴ This is reflected in *The Commonwealth of the Bahamas: Public Sector Management Note. IDB (2013)* as well as in the results of the PRODEV evaluation tool (August 2014): (i) monitoring and evaluation 0.8 out of 5; and (ii) program and project management 0.8 out of 5.

¹⁵ See recent press articles on cost overruns and delays in public works projects such as the Marsh Harbour International Airport, the government building complex on JFK Drive in Nassau and a landfill project.

¹⁶ See, for example: Alessandro, M., M Lafuente and C. Santiso (2013), *Strengthening the Center of Government in Latin America and the Caribbean*, IDB-TN#591, Washington, DC; Barber, M.(2008). *Instruction to Deliver: Fighting to Transform Britain's Public Services*. London: Methuen Publishing; Dahlström, C., G. Peters, and J. Pierre (2011).

¹⁷ The TASC was applied in November 2013 to the DoS and the NSS with the following results: (i) institutional capacity 42.3 out of 100; (ii) data dissemination 47.5 out of 100; (iii) sampling 53.8 out of 100; (iv) cartography 55.4 out of 100; and (v) data analysis 56.0 out of 100.

¹⁸ See The Bahamas Statistics Act: <http://unstats.un.org/unsd/dnss/countrysearch.aspx>. A NSS is a legally mandated institutional arrangement of public statistical organizations and units within a country that collect, process and disseminate official statistics on behalf of the national government.

¹⁹ Including business processes, human resources, information technology and systems.

it as the lead institution and coordinating agency of all the other units that produce statistics in The Bahamas.

- c. **Challenge 3 - In Public Financial Management.** The Bahamas faces the challenge of improving efficiencies in budget formulation and execution.²⁰ The classification of the budget is not program oriented, making its linkage with policy priorities unclear and adding difficulty to an eventual transition to a performance-informed budget; and the economic and functional classification does not allow direct generation of expenditure reports according to international best practices.²¹ In addition, the budget execution process is inefficient,²² mainly because there is no proactive formal cash-management unit centralizing these activities.²³ Bank reconciliation is ineffective,²⁴ which generates difficulties in the timely availability of funds.²⁵ Finally, the current financial management system is obsolete²⁶ and lacks the flexibility to include new functions,²⁷ as well as integrate with all other sub-systems²⁸ ultimately generating obstacles to improve PFM performance.²⁹ The system is currently two-maintenance upgrades behind and does not include active use of all modules or full use of the budget and procurement module functionality.³⁰
- d. **Challenge 4 - In public procurement.** The current procurement system faces the challenge of improving transparency and promoting efficient market competition.³¹ There is an absence of a consolidated and unified legal framework at the statutory level able to promote high standards in line with international best practices.³² Additionally, there is no designated entity

²⁰ The average score of the PET Assessment 2013, related to PFM indicators was 2.5 while the average of seven countries used as control group comparison scored 3.3 (see Table I.2, in page 3).

²¹ For example, the Government Finance Statistics (GFS) framework, recommended by the IMF.

²² The economic analysis linked to this document, estimated that US\$136 million (13.2%), from the US\$1.03 billion borrowed in 2013, could be avoided if an efficient cash management system were in place. The article provides evidence that cash management can generate substantial government saving.

²³ http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/07/17/000445729_20130717142453/

²⁴ Cash management process is neither automated nor proactive. The Budget Department is in charge of setting the quarterly funds appropriation ceiling for the LMs, without the participation of any key stakeholders in this process, including the Treasury.

²⁵ Only 25% of the Treasury payments are made electronically, due to the absence of an automated interface linking the Treasury system and the Bank network.

²⁶ The article "Modernizing Guatemala's Public Financial Management for Results and Transparency," provides evidence on how a strengthening project can improve PFM environment. [Latin America and Caribbean - Modernizing Guatemala's Public Financial Management for Results and Transparency.](#)

²⁷ Masterpiece system is an older generation system implemented in 1995.

²⁸ The system provides a very low level of customization; any change has to be done by the vendor. The country scored 0.8 out of 5 on the PET assessment 2013 related to the Integrated Financial Management Information System (IFMIS).

²⁹ This is especially true with regard to the Budget and Payroll sub-systems. Substantial manual activity has to be done to export/import information, increasing the likelihood of errors in the processes.

³⁰ Generation of information for decision-making is complicated, the Treasury is basically the only entity that uses some reporting functionalities.

³¹ The modules of purchasing, cash management, fixed assets, and inventory have not been implemented.

³² The country scored 1.5 out of 5 on the PET assessment 2013 related to procurement system.

³³ Open competitive methods are used, but limited guidance is available for LMs on evaluation criteria.

responsible for the development, oversight and functioning of the procurement system,³³ as well as no career path for public procurement officials. Although manual records and information regarding value and method of selection for procurement exist, there is no consolidated information of the commitments by category of goods and services. Finally, procurement processes are carried out manually with records kept on paper; the existing electronic system for public procurement is more of a payment authorization system than a platform for tendering. To address this issue, the government amended and sanctioned the Financial Act that promotes a modern procurement system.³⁴

- 1.5 **Program justification.** The Prime Minister's 2013-2014 Budget Communication to Parliament³⁵ noted the importance of "fiscal consolidation and lower debt as a mean to attain far greater economic and social goals." In addition, the communication also refers to the need to enhance revenue performance³⁶ and be more cost efficient in government operations.
- 1.6 In this context, The Bahamas requested support from the Bank in its process of fiscal consolidation through strengthening institutional and management government capacity. This will include the: (i) enhancement of the quality of public expenditure through better performance monitoring; (ii) generation of better statistical information; and (iii) improvement of budget execution. The Bank and The Bahamas agreed that the best strategy to implement enhancements will be based on two pillars:
- a. **Efficient allocation and management:** support the government to better allocate and manage its public resources, increasing the availability of funds and promoting value for money. In this regard, the streamlining of the funds appropriation process is necessary. This includes complying with international best practices and the implementation of modern Information Technology (IT) systems. Generating timely and reliable information for these systems will facilitate the budget execution process. Additionally, a procurement system that focuses on value for money will be required. This will include standardizing and automating The Bahamas procurement processes, generating important economies of scale, as well as contributing to enhancing the quality of public expenditure and fiscal consolidation.
 - b. **Effective allocation and management:** support the government to better plan, monitor and accomplish policy priorities. It will be necessary to

³³ LMs carry out their purchasing processes in a decentralized way without the guidance of a unified list of reference providing prices compatible with the private sector. In 2013, LMs procurement units carried out approximately 18,000 individual tendering processes. To that regard, the current law has a mandate for the creation of an entity (not yet created) to oversee and monitor the entire public procurement system.

³⁴ Improving the National Procurement System will generate substantial government savings. http://www.chilecompra.cl/index.php?option=com_phocadownload&view=category&download=847:does-e-procurement-save-money-las-compras-publicas-electronicas-ahorran-dinero

³⁵ Commonwealth of The Bahamas, 2013/14 Budget Communication to Parliament, May 2013. <http://www.bahamas.gov.bs/wps/wcm/connect>

³⁶ Tax revenue would increase by an annual average of about 0.8 percentage-points of GDP over the next five years, the bulk of which from planned introduction of the VAT.

establish mechanisms to help in the identification and implementation of government policies, programs and projects. For this purpose, the data generated will be critical for holding public managers accountable for their performance and contributing to the achievement of the government's priorities. It is also important to mention that subjects related to civil services strengthening will be addressed by this operation through a substantial number of activities related to training in key areas, and all components will comprise change management support for their implementation.

- 1.7 **Strategic alignment.** The program is aligned with the IDB Country Strategy (CS) with The Bahamas, 2013-2017 (GN-2731). Its matrix includes the following objectives: (i) ensure fiscal sustainability with improvements in the allocative efficiency of expenditure; and (ii) strengthen planning and delivery capacity with the country's improved investment program and public sector management. In this context, the current operation is aligned with the CS by promoting fiscal sustainability and strengthening planning and delivery capacity.
- 1.8 The program will contribute to the Ninth General Increase in the Resources of the Inter-American Development Bank (AB-2764) (GCI-9), Lending Program Priority Target (i) supporting development in small and vulnerable countries. Within this priority, the program will contribute outputs regarding implementation and upgrading of PFM (budget, treasury, accounting, etc.). The program will also facilitate the Bank's output contribution to regional development goal (2012-2015) of institutions for growth and social welfare, public financial systems implemented or upgraded.
- 1.9 For the implementation of the new Integrated Financial Management Information System (IFMIS), representing approximately 55% of the total project budget, the project team drew on results and lessons learned from the IDB Project Completion Report - GY0053 (1550/SF-GY; 1551/SF-GY)³⁷. Among the lessons learned, the most relevant are: (i) management and effective monitoring during project execution (lesson 1); and (ii) the human resource aspect on public sector reform (lesson 3). In this regard, a detailed project execution scheme was developed and the human resource aspect was considered in all project components through change-management activities and training.
- 1.10 The following sources demonstrate the effectiveness of similar PFM interventions that have been carried out in other countries: (i) UKaid Overseas Development Institute evaluation³⁸, which shows the evolution of Guyana's PEFA³⁹ score in PFM from 9 in 2001 to 11 in 2007 (same period that the aforementioned IDB Project GY0053 was implemented); (ii) IDB Country Strategy for Guyana 2012-2016⁴⁰, which shows that the 2007 PEFA evaluation presented several improvements in PFM since previous assessments; and (iii) Evaluation of the IDB

³⁷ See <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=2134307>, pages 14 and 22.

³⁸ See <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/5904.pdf>, page 3 Table 1.

³⁹ The Bank has used the PET evaluation in the last 5 years; therefore, there are no PCRs available reporting PET results. PEFA and PET evaluations follow the same concept and criteria in PFM subject.

⁴⁰ See <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=37305027>, Page 13, paragraph 5.1.

Role in Fiscal Sector – OVE⁴¹, which highlights the effectiveness of the Bank interventions in the area of integrated public financial management in more than 50% of the Bank's borrowing countries.

B. Objective, Components and Cost

- 1.11 **Objective.** The overall objective of this operation is to strengthen Government of The Bahamas' capacity to allocate, manage and monitor public resources. The specific objectives are: (i) to improve PFM and public procurement for a more efficient use of public resources; and (ii) to enhance The Bahamas' capacity to monitor progress and implementation of key government priorities.
- 1.12 The program will benefit: (i) The Bahamas, by increasing the availability of funds to promote the implementation of public policies; and (ii) The Bahamas population, with a more effective and efficient allocation of resources in priority areas. The project will finance the following components:
- 1.13 **Component I. Performance monitoring (US\$3.160 million).** The objective of this component is to strengthen the management capacity of the public sector to monitor priority projects and programs more efficiently and effectively.⁴² This component will finance: (i) the development and implementation of a new governance mechanism (management model) for monitoring the implementation of priority projects and programs; (ii) the implementation of an Information and Communication Technology (ICT) system for monitoring priority projects and programs across government, with physical and financial targets, among other data, including the corresponding hardware infrastructure and training; and (iii) the establishment of an intensive training and change management program to strengthen capacity of a central team in charge of running the management model, as well as staff from priority sectors.⁴³
- 1.14 **Component II. National statistics (US\$3.0 million).** The objective of this component is to respond to increased demand from the government to plan, budget, monitor and evaluate priority projects and programs by strengthening the capacity of the DoS and other agencies that collect data to produce quality statistics. The production of relevant, reliable and timely data will provide The Bahamas with the information necessary to effectively monitor the progress of government programs as well as the evidence to efficiently use resources in the development of the country.⁴⁴ The component will finance: (i) development and implementation of a National Strategy for Statistical Development (NSDS) including all stakeholders within the NSS; (ii) the refinement of the new Statistics Act (now in draft), which will guide the modernization of the DoS (or National Statistical Office, to be

⁴¹ See <http://publications.iadb.org/bitstream/handle/11319/4520>, page 18 paragraph 3.7.

⁴² See http://sitercsources.worldbank.org/INTEVACAPDEV/Resources/eed_24.pdf for evidence from the United Kingdom, where a similar approach has shown the efficacy of such interventions.

⁴³ See Speklé and Verbeeten (2009), "The Use of Performance Measurement Systems in the Public Sector: Effects on Performance". In this study, the authors conclude that implementing activities for the performance monitoring of priority programs explains performance improvements by 28% in this area.

⁴⁴ <http://web.worldbank.org/WBSITE/EXTERNAL/BANCOMUNDIAL/NEWSPANISH/0..contentMDK:22992601~pagePK:64257043~piPK:437376~theSitePK:1074568,00.html>.

established by the new law) and the NSS;⁴⁵ (iii) implementation of an institutional training program for both the DoS and the NSS; (iv) development and implementation of new business processes including: a new DoS organizational structure; a skills improvement training and change management program for staff; updates to the IT system, workflow and administrative procedures; (v) development and implementation of an information system, automating DoS staff workflow and communication, as well as the entire process of collecting, processing and disseminating information; and (vi) development of a multi-level awareness campaign aimed at the public sector, private sector, academics and researchers, and the general public that will focus on facilitating access to statistical information and improving the use of statistics.⁴⁶

- 1.15 **Component III. Public financial management (US\$18.160 million).** The objective of this component is to improve efficiency in the allocation of public funds according to the international standards requirements, contributing to fiscal sustainability. This component will finance the: (i) development of a new business model to improve PFM performance, including the areas of medium-term fiscal framework, budget classification/formulation/execution, cash and debt management, accounting, internal control, external audit, reporting and ICT; (ii) the implementation of the new business model, including change management⁴⁷; (iii) preparation of the functional and technical specifications of a new/upgraded IFMIS⁴⁸, including integration requirements to current sub-systems and security access controls; (iv) implementation of an off-the-shelf highly customizable IFMIS including full standard functionality, as well as the modules for budget formulation and payroll/Human Resources (HR); and (v) an upgrade of the current Masterpiece System to the latest version,⁴⁹ considering that the full implementation of the new system will take 5-6 years, including the introduction of a new Chart of Accounts (CoA) and a reporting generator modules.

⁴⁵ A new Statistics Act would provide for the establishment of a NSS and the replacement of the DoS with a National Statistical Office (NSO) that would be the lead agency in charge of coordinating an integrated NSS. In this role, the NSO would ensure continuous cooperation among producers and users of official statistics in order to advance standardization, quality, consistency, comparability and use of evidence as the basis for policy choices and decision-making, and avoid unnecessary and costly duplication. In addition, the Act would take into consideration electronic dissemination of data and allow the use of micro data under specific terms.

⁴⁶ Research has indicated the connection between statistical capacity and government effectiveness, finding that countries with higher statistical capacity also enjoy higher quality government institutions, in addition to improved effectiveness on development outcomes. Data has the most value when action can be taken in response to the information produced (Laxminarayan, Ramanan, eds). *The Value of Information: Methodological Frontiers and New Applications in Environment and Health*. Springer, 2012).

⁴⁷ A typical change management strategy includes activities such as awareness, consensus building and training.

⁴⁸ Including recommendations of changes needed to the Ministry of Finance (MoF) Data Center regarding sustainability and capacity.

⁴⁹ An upgrade is justifiable in order for the current system to be operational at an appropriate level during the implementation of the new system to maintain the budget execution process (See Cem Dener 2011 *Financial Management Information Systems*).

- 1.16 **Component IV. Public procurement system (US\$6 million).** The objective of this component is to modernize the public procurement system by promoting efficient market competition and value for money. This component will support activities related to the mandate of the new procurement law approved by parliament in October 2013⁵⁰, financing: (i) the development of a transactional module to enhance the National Procurement System, including an action plan; (ii) the implementation of the new business model, including the establishment of a new Public Procurement Unit (PPU), new procedures, instruments according to the new Financial Act (regulations, standard bidding documents, manuals, training and change management plan), and the management of physical and technological infrastructure; (iii) the development of the functional and technical specifications of an e-procurement system; (iv) the implementation, monitoring and quality control of the e-procurement system project; and (v) the development and implementation of a career path for public procurement officials, including a permanent training program led by the PPU.

Table I.3: Project total budget (US\$)

Categories*	IDB	Local	Total	%
1. Direct Costs	30,320,000	0	30,320,000	91.88
1.1 Performance monitoring	3,160,000	0	3,160,000	9.58
1.2 National statistics	3,000,000	0	3,000,000	9.09
1.3 Public Financial Management	18,160,000	0	18,160,000	55.03
1.4 Public procurement system	6,000,000	0	6,000,000	18.18
2. Project Administration	1,380,000	0	1,380,000	4.18
2.1 Project management	1,200,000	0	1,200,000	3.64
2.2 Monitoring and evaluation	180,000	0	180,000	0.55
3. Contingency	1,300,000	0	1,300,000	3.94
Total	33,000,000	0	33,000,000	100.00

* The financing costs will be paid by the borrower outside of the program.

- 1.17 **Disbursement timetable.** Disbursements will be carried out over a period of five years from contract signature, and will follow the timetable presented in Table I.4.

Table I.4: Disbursement timetable (US\$ millions)

Source	Year 1	Year 2	Year 3	Year 4	Year 5	Total	%
IDB	4,621,000	8,420,300	8,385,300	5,944,200	5,629,200	33,000,000	100
Local	0	0	0	0	0	0	0
Total	4,621,000	8,420,300	8,385,300	5,944,200	5,629,200	33,000,000	100
%	14.00	25.52	25.41	18.01	17.06	100	

C. Key Results Indicators

Table I.5: Key results/indicators

Impacts	Baseline 2013	Target 2018
1. Increase the government institutional and management capacity to plan, allocate, manage and monitor public resources (average score of 50 PET indicators – see Table I.2 and <u>Monitoring and Evaluation Plan</u> - Impact Evaluation Section).	0.9	2.0

⁵⁰ Financial Administration and Audit (Amendment) Bill 2013, No 26 of 2010. This bill will provide for the establishment of a public procurement department within the MoF.

Results	2013	2018
1. Increase the government capacity in: (i) monitoring and evaluation; and (ii) program and project management (scores of the PET assessment, SEP-2013).	0.6	1.6
	0.4	1.4
2. Increase the capacity of the DoS and NSS in: (i) institutional development; (ii) dissemination of information; and (iii) data analysis (scores of the tool for assessing statistical data (TASC -2013).	42.3	53.0
	47.5	58.0
	56.0	65.0
3. Increase the Integrated Financial Management System functionalities and integration with sub-systems (Scores of the PET assessment, SEP -2013).	0.8	2.5
4. Decrease the percentage of the interest paid by the government in extra borrowing needs related to recurrent and capital expenditure (Extra borrowing need / Total borrowing need).	13.22%	2.0%
5. Decrease the difference between the maximum and minimum prices paid in same item by the Ministry of Education (copy paper – 500 sheet/pack) during one fiscal year (Maximum price – Minimum price)	US\$9.09	0
6. Decrease the number of individual tendering processes carried out by procurement units (quantity).	18,000	1,500

1.18 **Economic analysis.** The Bank’s project team conducted a Cost-Benefit Analysis (CBA) study to establish the financial benefits the program will generate.⁵¹ A conservative estimate reveals that the public financial modernization including an improved cash management system will generate US\$6.8 million in savings by 2016.⁵² This will occur mainly from savings on the interest presently paid to finance current and capital expenditures. Additionally, procurement system modernization will generate approximately US\$13.1 million yearly in savings on goods and services by 2017. This will occur by implementing the reference-price methodology for all LMs and an e-procurement system to streamline processes. The CBA presents an Internal Rate of Return of 48% with a Net Present Value of US\$44.8 million in 2024, using the IDB standard discount rate of 12%. The overall economic viability of the program is robust to the sensitivity analysis, as stated in the Optional Link 1: Economic Analysis, justifying the present US\$33 million investment.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 **Total cost of the program.** The total estimated cost of the program is US\$33 million to be disbursed in five years, and will be financed by a loan of ordinary capital resources of the Bank.
- 2.2 Procurements for the proposed program will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Bank (GN-2349-9); and the Policies for the Selection and Contracting of Consultants Financed by the Bank (GN-2350-9), and with the provisions established in the

⁵¹ Only results from Components III and IV were considered in the CBA, because they are easier to quantify and their return benefits completely justify the investment.

⁵² The New Cash Management Unit will be operational in 2016 with new procedures and the cash management module will be activated in the current system until the new one is implemented in 2017.

loan contract and procurement plan. In addition, for all projects, the borrower is required to prepare and submit to the Bank a draft of the General Procurement Notice. The supervision method for procurement execution will be established ex ante until the Project Execution Unit Procurement Expert has gained experience observing Bank policies, procedures, and use of standard bidding documents.

- 2.3 **Special contractual clauses prior to the first disbursement. The Ministry of Finance (MoF) will submit evidence to the Bank confirming that: (i) the Project Execution Unit (PEU) has been set up, comprising the program coordinator, the procurement specialist and a senior financial specialist to carry out the planning, financing and ICT procurement activities of the program, all in accordance with the terms of reference duly approved by the Bank; (ii) the Steering Committee (SC) of the program has been created; (iii) the head of the PEU and the Component Coordinators (CC) have been appointed; and (iv) the operations manual of the program has been approved by the executing agency on the terms previously approved by the Bank.**

B. Environmental and Social Safeguard Risks

- 2.4 **Social and environmental risks.** In accordance with the Environment and Safeguards Compliance Policy (OP-703), this operation was classified as Category “C” (see Annex IV), with no further mitigation actions.

C. Fiduciary Risks

- 2.5 There is a medium risk of delays in project implementation, due to lack of capacity of the PEU in Bank procurement policies. To mitigate the risk, the Bank will ensure that the PEU is properly staffed and provide training in Bank procurement policies to all stakeholders involved in project execution.

D. Other Key Issues and Risks

- 2.6 The risk assessment carried by the project team with the participation of the main project stakeholders determined that the overall risk was medium. The specific risks that could affect the performance of the project are:
- a. **Macroeconomic.** There is a low risk of delays in project implementation, due to changes in government priority in more urgent areas, as result of the aggravation of Bahamas’ economic and fiscal deterioration, which could be triggered by external events or lack of government measures to improve the current situation. The Bahamas is putting in place necessary actions through a Fiscal Consolidation Plan. This plan includes the implementation of the VAT and the strengthening of PFM institutional capacity, where this operation is contemplated. Additionally, the United States of America (U.S.A.) economy is showing signs of recovery, which is one of the key factors for the country’s economic development.
 - b. **Development.** There is a medium development risk of delays because the MoF does not have sufficient technical capacity to manage a program of such size and complexity. To mitigate the risk, the program will finance support for technical and change management activities throughout the life of the program. Additionally, a PEU will be established and a coordinator hired to

head it within the MoF to increase operational capacity and manage day-to-day activities. The PEU will include experts in technical and fiduciary areas. In addition, the fact that the project will have only one counterpart ministry should facilitate the implementation.

- c. **Public management and governance.** There is a medium risk of: (i) limited collaboration between Office of the Prime Minister (OPM) and the LMs regarding the implementation of the management model for performance monitoring; and (ii) limited coordination between the MoF and the LM under Component II, due to resistance from the LMs to adopt a new/upgrade and provide information for the performance monitoring system. To mitigate the risk the program will: (i) ensure political alignment of LMs by including a political economy analysis and an implementation strategy of the management model, together with its approval through a Cabinet Decision; and (ii) establish a SC at the level of the Minister of Finance, in which representatives from the main LMs will participate.
- d. **Fiduciary, monitoring and reporting.** There is a medium risk of delays in project implementation due to lack of capacity of the PEU in project financial management and procurement policies according to Bank procedures. To mitigate the risk, the Bank will provide training in Bank project financial management and procurement policies to all stakeholders involved in execution of this program.
- e. **Sustainability.** There is a medium risk related to the discontinuation of the implementation of the new IFMIS, given that elections in 2017 will occur during the third year of project execution. This risk is mitigated because: (i) the majority of the personnel that will participate in the execution of the project are career civil servants who will be only moderately affected by government changes; and (ii) the Bank is supporting The Bahamas through a technical cooperation, in the preparation of the National Development Plan (NDP)⁵³ (ATN/FI-13792-BH – Strengthening Institutional Capacity in the Office of the Prime Minister). Nevertheless, a contingency plan will be prepared to accelerate the implementation of the IFMIS before elections. In addition, all components will include change management activities. Additionally, there is a low risk of discontinuation of the investments after the end of the project implementation, because the biggest project investment is the IFMIS, which represents the backbone of the government financial operations. Furthermore, there is no evidence of negligence in the maintenance of the current IFMIS, in operation for 20 years.

⁵³ The NDP is undergoing an extensive consultative process with the opposition party and other national stakeholders. It is expected to be finalized by May 2015. The Plan will guide the development agenda for a 25-year period (2015-2040) and will include a broad agreement outlining the key investment sectors. Investments such as this loan operation will be part of this agreement and thus part of this consensus.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1 The executing agency of the program will be the MoF, which will be responsible for the administration of the resources and procurement processes of the Program. In implementing the program components, the MoF will act in collaboration with the following parties: (i) Office of the Prime Minister (OPM) (Component I); (ii) Department of Statistics (DoS) (Component II); (iii) Budget Department (BD), Treasury Departments (TD) and Department of Information and Technology (DIT) (Component III); and Tenders Board (TB) (Component IV). These organizations will be responsible for the validation of the proposals for the strengthening of their areas, including the Terms of Reference, as well as with the implementation of the changes in their business process, systems and personnel training proposed. No fiduciary or procurement activities will be carried out by these organizations, the MoF will be the only entity in charge of these activities. To coordinate and execute the program, the MoF will: (i) appoint a head of program; (ii) create a PEU; and (iii) establish a SC.
- 3.2 **Governance structure.** The structure to execute the program will consist of a head of program and a SC at the strategic level; a PEU in the MoF and four CCs, in the OPM, DoS, MoF (one for PFM and one for procurement), at the administrative level; and the working groups at the operational level. The SC will be chaired by the Financial Secretary (FS) or delegate, and has the following functions: (i) provide strategic direction and support to the program; (ii) review and approve the Annual Operating Plans (AOP) and its corresponding modifications; and (iii) participate in periodical meetings to review program performance. A detailed description of the execution arrangements will be provided in the operations manual of the program.
- 3.3 **Annual Operating Plans.** The program will be executed following Annual Operating Plans (AOPs), which will include the procurement plan and for each programmed annual activity, its goals, terms of reference, budget, source of funding, and responsibility for its execution. If changes to the AOPs are needed during the implementation of the program, such changes could be implemented prior the written non-objection of the Bank. The AOP for the first year of the execution of the program will be part of the initial report referred to in the general conditions of the loan contract. The AOPs for each of the subsequent years will be submitted for the Bank's non-objection within the final trimester of each calendar year, and will cover the activities to be carried out in the following year.

B. Summary of Arrangements for Monitoring Results

- 3.4 **Monitoring and reporting.** The Bank and the MoF have agreed to use the Results Matrix, the Monitoring and Evaluation Plan, the CBA, the PET, and TASC assessments as the principal elements for monitoring the program. The program supervision and monitoring system will include: (i) analysis of the technical and financial reports; (ii) annual monitoring meetings; and (iii) midterm and final evaluations. In addition, the system will include routine inspection visits

normally carried by the Inter-American Development Bank Country Office. The MoF will present semiannual technical and financial progress reports. In addition, it will present annually: (i) an assessment of the AOP for the year; (ii) the AOP for the upcoming year; and (iii) audited financial statements. The information from these documents will serve as input for the annual monitoring meetings and inspection visits.

- 3.5 Annual monitoring meetings will start at the end of the first year of this program's execution. In these meetings, results will be examined with emphasis on the timing of procurement and contracting; and the AOP for the following year. The meetings will also review compliance with indicators in the Results Matrix.
- 3.6 **Evaluation.** The program will fund two evaluations, including:⁵⁴ (i) reflective evaluation; and (ii) economic evaluation (CBA).
- 3.7 Once 50% of the resources of the financing are disbursed, or within 30 months from the effective date of the Loan Contract, whichever occurs first, a consultancy will be hired by the borrower with the resources of the financing to prepare and submit a mid-term report evaluating the execution of the program based on the indicators and physical goals set forth in the Program Results Matrix. Data for the indicators will be collected by PEU in the MoF.
- 3.8 Once 95% of the resources of the loan are disbursed, the borrower, with resources of the financing, will hire a firm or individual to prepare and submit a final report evaluating the execution of the program. This evaluation will focus on: (i) verifying the degree of compliance with the indicators for the program and its several components; (ii) taking stock of the success and shortcomings of program's design and execution; and (iii) recommending corrective or monitoring measures for future program of a similar nature.
- 3.9 The PEU will collect, store and retain information, indicators and parameters, including the annual plans, the mid-term review, and final evaluations, to help the Bank prepare the Project Completion Report (PCR). In order to support the supervision and monitoring process, an automated system will be established in the PEU to assist in recording all the supporting documents, monitoring the physical and financing progress, and generating the reports required by the Bank. The preparation of the PCR will start as soon as 95% of disbursements are reached.
- 3.10 External auditing will be carried out by the Government's Office of the Auditor General, as this entity is eligible to perform this activity. The financial statements audited will be presented to the Bank within 120 days after the closing of each fiscal year of the executing agency. The last of these reports will be submitted within 120 days following the date stipulated for the final disbursement of the financing.

⁵⁴ The Monitoring and Evaluation Plan for the project provides further information about the two evaluations.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	Lending to small and vulnerable countries.		
Regional Development Goals			
Bank Output Contribution (as defined in Results Framework of IDB-9)	Public financial systems implemented or upgraded.		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2731	i) Improved quality of the country's investment program, ii) Improved public sector management.	
Country Program Results Matrix	GN-2756-2	The intervention is included in the 2014 Operational Program.	
Relevance of this project to country development challenges (if not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability			
	Evaluable	Weight	Maximum Score
3. Evidence-based Assessment & Solution	9.4	33.33%	10
3.1 Program Diagnosis	2.4		
3.2 Proposed Interventions or Solutions	4.0		
3.3 Results Matrix Quality	3.0		
4. Ex ante Economic Analysis	10.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0		
4.2 Identified and Quantified Benefits	1.5		
4.3 Identified and Quantified Costs	1.5		
4.4 Reasonable Assumptions	1.5		
4.5 Sensitivity Analysis	1.5		
5. Monitoring and Evaluation	7.1	33.33%	10
5.1 Monitoring Mechanisms	2.5		
5.2 Evaluation Plan	4.6		
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			C
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/PDP Criteria)	Yes	Financial Management: i) Budget, ii) Treasury, iii) External Control.	
Non-Fiduciary	Yes	Statistics National System.	
The IDB's involvement promotes improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
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	This project was supported by the Technical Cooperations "Management for Results" (BH-T1013) and "Support to Bahamas Public Procurement System" (BH-M1009).	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan			

The Project is Evaluable.

The Commonwealth of The Bahamas has experienced, after the 2009 crisis, a very sluggish recovery. The Bahamas faces significant economic vulnerabilities and a deteriorating fiscal situation which reflects a narrow revenue base, a high spending path, an increasing debt and a weak fiscal institutional and management capacity. This rationale is clearly presented and the proposed program aims to address this last problem – the low institutional management capacity in Public Financial Management - by tackling four challenges: lack of performance monitoring, unreliable and untimely statistical information, inefficient budget formulation and execution and a public procurement system which lacks a consolidated legal framework and is not in line with international best practices. These four challenges are clearly important issues to be addressed, although their relative importance is not discussed.

In this context, The Bahamas requested support from the Bank in its fiscal consolidation process through strengthening institutional and management government capacity, by addressing challenges in planning and performance monitoring, statistical systems, Public Financial Management and Procurement modernization.

The Results framework is clearly presented with indicators at Output, Outcome and Impact level. One indicator at Outcome levels is not SMART. The package includes an economic analysis for Cash management and procurement expected efficiencies. The Evaluation plan proposes three evaluations: Reflexive, Ex -post Cost Benefit Analysis (CBA) and an Impact evaluation. The reflexive evaluation focuses on the nine outcome indicators. The ex-post CBA proposes a replication of the ex-ante CBA. The Impact Evaluation proposes a Differences-in-Difference estimation for five PRODEV indicators centered on Public Expenditure and the National Procurement components.

RESULTS MATRIX

Objective of the program: The overall objective of this operation is to strengthen the Government of The Commonwealth of The Bahamas' capacity to allocate, manage and monitor public resources. The specific objectives are: (i) to improve public financial management and public procurement for a more efficient use of public resources; and (ii) to enhance The Bahamas' capacity to monitor progress and implementation of key government priorities.

IMPACT

Indicators	Unit of Measure	Baseline		Targets					Source/Means of verification	Remarks	
		Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5			
Impact: 1. Increase the Government institutional and management capacity to plan, allocate, manage and monitor public resources											
Average score of 50 PET evaluation indicators.	Score	0.9	2013/14						2.0	PET evaluation 2017/2018	Range from (0-5). These indicators are related to Strategic Plan, Result Budget, Public Finance Management, Program and Project management, and Monitoring and Evaluation. See Annex Monitoring and Evaluation Plan Table 7, page 15 for more details.

EXPECTED OUTCOMES

Indicators	Unit of Measure	Baseline		Targets					Source/Means of verification	Remarks	
		Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5			
Component I. Planning and performance monitoring											
1.1 Increase the Government monitoring and evaluation capacity.											
Scores of the PET evaluation for monitoring and evaluation indicator.	Score	0.6	2013/14			1.0			1.6	PET evaluation 2017/2018.	Range from (0-5).
1.2 Increase the Government project management capacity											
Scores of the PET evaluation for project management indicator.	Score	0.4	2013/14			1.0			1.4	PET evaluation 2017/2018.	Range from (0-5).

Indicators	Unit of Measure	Baseline		Targets					Source/Means of verification	Remarks
		Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5		
Component II. National statistics										
2.1 Increase the Department of Statistics and National Statistical System institutional capacities.										
Scores of the Tool for Assessing Statistical Capacity for institutional capacity indicator.	Score	42.3	2013/14			48		53	TASC evaluation 2017/2018.	Range (0-100).
2.2 Increase the Department of Statistics and National Statistic System dissemination of information capacities.										
Scores of the Tool for Assessing Statistical (for dissemination of information indicator).	Score	47.5	2013/14			52		58	TASC evaluation 2017/2018.	Range (0-100).
2.3 Increase the Department of Statistics and National Statistical System data analysis capacities.										
Scores of the Tool for Assessing Statistical Capacity for data analysis indicator.	Score	56	2013/14			60		65	TASC evaluation 2017/2018.	Range (0-100).
Component III. Public Financial Management (PFM)										
3.1 Increase the Integrated Financial Management System functionalities and integration with sub-systems										
Scores of the PET evaluation for integrated financial management systems.	Score	0.8	2013/14			2.0		2.5	PET evaluation 2017/2018.	Range from (0-5).
3.2 Decrease the percentage of the interest paid by the Government in extra borrowing needs related to recurrent and capital expenditure										
Extra borrowing need / Total borrowing need.	%	13.22	2013/14			6		2	Treasury cash flow report.	Base-line = 136 M = 13.22% of 1,035 B (total borrowing in 2013). See economic analysis.
Component IV. Public Procurement System										
4.1 Decrease the difference between the maximum and minimum prices paid in same item by the Ministry of Education during one fiscal year.										
Maximum price – Minimum price	US\$	9.09	2013/2014			0		0	Especial report printed by the Tender Board.	Item: Copy paper – 500 sheets/pack Base Line: Maximum price = US\$41.99, Minimum price = US\$32.9
4.2 Decrease the number of individual tendering processes carried out by procurement units										
Individual Tender processes.	Quantity	18,000	2912/13		10,000			1,500	Especial report printed by the Tender Board.	

OUTPUTS

Output	Cost (US\$)	Unit of measure	Baseline		Milestones					Target 2018	Sources/Means of Verification	
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5			
Component I. Planning and performance monitoring (US\$3.160 million)												
1.1 New management model for monitoring government priority projects and programs implemented.	120,000	New management model	0	2013	Identification of the priorities	Pilot implementation in Prime Minister Office	Full implementation in other Agencies				1	Prime-Minister report, presenting the details about completion of the implementation of the new management model for the monitoring of priority projects and programs.
1.2 ICT system for monitoring government priority projects and programs across government implemented.	1,605,000	System	0	2013		Pilot implementation	Full implementation				1	Prime-Minister report, presenting the details about completion of the implementation of the new system for the monitoring of priority projects and programs.
1.3 Training program to strengthen capacity of a central team in charge of running the management model established.	1,436,160	Training Program	0	2013		Training in new procedures	Training in the operation of the IT system				1	Prime-Minister report, presenting the government participants attendance list.
Component II. National statistics (US\$3 million)												
2.1 Draft Statistics Act, which will guide the modernization of the NSS prepared.	20,800	Statistics Act draft	0	2013	Stakeholders workshop held	Draft act prepared					1	Copy of the draft Statistics Act.
2.2 National Strategy for Statistical Development	114,400	Strategy	0	2013	First stakeholders	Roadmap prepared	Action plans prepared				1	Copy of National Strategy for Statistical Development.

Output	Cost (US\$)	Unit of measure	Baseline		Milestones					Target	Sources/Means of Verification	
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5	2018		
(NSDS) designed.					workshop held	pared	and validated					
2.3 New business processes implemented.	517,700	Business Model	0	2013	Diagnosis of current processes	Design of new processes	Pilot implementation in DoS	Full implementation in DoS		1	Report from the DoS presenting the results from the implementation of the new business processes, including: the new organizational structure of the Department of Statistic (DoS), staffing, IT, workflow and administrative procedures.	
2.4 Institutional training program for both the DoS and the NSS implemented for 125 staff.	345,000	Training Program	0	2013	Diagnosis of capacity building needs	Definition of training modules and plan	Training Program implemented in (1) DoS for 50 staff	Training Program implemented in (2) DoS for 25 staff and (3) 25 NSS staff	Training Program implemented in (4) 10 DoS staff and (5) 15 NSS staff	5	DoS and NSS reports, presenting the government participants' attendance list.	
2.5 Information system, automating the Dos and the NSS entities implemented.	1,900,100	System	0	2013	Diagnosis of current system	Procurement	Pilot implementation in Dos	Full implementation		1	Report from the IT unit from the DoS presenting the details about the implementation of the system.	
2.6 Public awareness campaign implemented.	102,000	Campaign	0	2013	Needs analysis conducted	Campaign designed	Campaign implemented			1	Users satisfaction survey.	
Component III. Public Financial Management (PFM) (US\$18.160 million)												
3.1 New PFM business model implemented.	5,000,000	New business Model	0	2013	At the MoF level	At the Line ministries and other				1	Report from the Finance Secretary (FS) presenting the details about the implementation of the new budget execution business model.	

Output	Cost (US\$)	Unit of measure	Baseline		Milestones					Target 2018	Sources/Mean of Verification
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5		
						agencies					
3.2 Functional and technical specification of a new Integrated Financing Management Information System (IFMIS) prepared.	300,000	Document comprising the IFMIS technical specifications	0	2013	Specification Prepared and approved					1	Specification for the acquisition of an off-the-shelf highly configurable IFMIS.
3.3 Off-the-shelf highly customizable IFMIS implemented.	10,860,000	System	0	2013		System selected and purchased	Customization and Pilot at the MoF level	Implementation in 2 pilot Line Ministries	Full implementation in all 23 Line Ministries	1	Report from the Department of Information and Technology of the MoF presenting the details about the implementation of the new IFMIS, including full standard functionality, in addition to the modules for budget formulation and payroll/HR.
3.4 Masterpiece system current version upgraded.	2,000,000	System upgraded	0	2013	Detailed work plan to upgrade the system	Implementation of the required upgrades				1	Report from the Department of Information and Technology of the MoF presenting the details about the Masterpiece upgrades, including new Charter of Accounts, and address key functionality and reporting gaps.
Component IV. Public procurement system (US\$6 million)											
4.1 New procurement business model implemented.	1,550,000	Procedures	0	2013	Creation of the Procurement Unit	Implementation in a pilot basis in key Line Ministries	Full implementation			1	Report from the Public Procurement Unit presenting the details about the implementation of the new business model, including the establishment of a new Public Procurement Unit, the new procedures, the instruments according to the new Financial Act (regulations, standard bidding documents, manuals, training and change management plan), and the management of physical and

Output	Cost (US\$)	Unit of measure	Baseline		Milestones					Target	Sources/Means of Verification
			Value	Year	Year 1	Year 2	Year 3	Year 4	Year 5	2018	
											technological infrastructure.
4.2 Functional and Technical specification of an e-procurement system prepared.	500,000	Document comprising the e-procurement functional and Technical specifications	0	2013		Functional and Technical Specifications prepared and approved				1	Report from the Financing Secretary approving the functional and technical specification of the new e-procurement system.
4.3 New e-procurement system implemented.	2,800,000	System	0	2013		System Purchased	System customized	Implementation in Key line Ministries	Full implemented	1	Report from the Department of Information and Technology of the MoF presenting the details about the e-procurement system implementation.
4.4 Career path for public procurement officials, including a training program implemented.	1,150,000	Career path	0	2013			Implementation at the MoF level	Full implementation in 23 LMs		1	Report from the Public Procurement Unit informing that the new career path for public procurement was implemented.

FIDUCIARY ARRANGEMENTS

Country: The Bahamas
Project: BH-L1035
Name: Public Financial Management and Performance Monitoring Reform
Executing Agency: Ministry of Finance
Prepared by: Roy Parahoo (FMP/CBA) and Mario Castaneda (FMP/CBH)

I. EXECUTIVE SUMMARY

- 1.1 The Bank's methodology for Project Risk Assessment (GRP originally abbreviation in Spanish) was utilized to identify the project's risks and to determine the corresponding mitigating measures. The Institutional Capacity Assessment System (ICAS) was used to assess the capacity of the Ministry of Finance (MoF) to carry out the project's fiduciary execution responsibilities. The ICAS assessment indicated an average score associated with a medium risk level.
- 1.2 The Bahamas' procurement systems were evaluated in 2005 using the Organisation for Economic Co-operation and Development (OECD)/Development Assistance Committee (DAC) methodology resulting in a series of recommendations for modernization. In 2010, using the same methodology, the Government initiated a reform of the national public procurement system, undertaken by the Ministry of Finance. This reform effort is still underway and none of the country's public procurement systems or sub-systems are yet able to be applied in this project.
- 1.3 In late 2010, the Government of The Bahamas with IDB support conducted its first ever Public Expenditure and Financial Accountability (PEFA) Assessment, although the report was never approved and published. The overall result of the PEFA showed that although some areas were good, others need some improvement. The stronger areas were: the credibility and comprehensiveness of the budget, access to fiscal information, the annual budget process, the transparency of taxpayer obligations and liabilities, recording of management cash balances debts and guarantees, and the quality of in year budget reports. The weaker ranked areas were: the classification of the budget, the effectiveness of the tax system in assessing, registering and collecting tax payments and controls in procurement, payroll and internal controls.
- 1.4 It has been agreed that a Project Execution Unit (PEU) will be established within the Ministry of Finance, properly staffed with specialized fiduciary personnel. An Operations Manual is also being recommended to establish roles, responsibilities and procedures during project execution. IDB's procurement policies and procedures will be applied.

II. EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 The Constitution of The Bahamas is based on the Westminster Model and dates back to 1973 when the islands became independent. The Cabinet constitutes the executive branch and has general direction and control of the Government. The Constitution authorizes the National Assembly to make laws by passing bills,

including approval of Government's budget. In addition to its constitutional functions the National Assembly has established a Public Accounts Committee to maintain oversight of the Government's financial matters. The Constitution also provides for there to be an auditor general who is independent of both government and the National Assembly.

- 2.2 Public Financial Management is defined in the Financial Management and Audit Bill (2010 and its 2013 amendment). The Bill outlines the functions of financial officials, budget administration, control over expenditures, bank accounts, accounts and audits, as well the external control exercised by the Auditor General. The fiscal year goes from July 1st to June 30th of the following year.
- 2.3 The 2013 amendment calls for the establishment of a central procurement unit and an electronic procurement system, which would allow online bidding and monitoring of public bids. This procurement unit and the online system have not yet been fully implemented.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The results of applying the Risk Assessment Matrix for the fiduciary component after mitigation actions were considered were of medium risk. Also, the institutional capacity assessment resulted in a medium to low level if hiring appropriate staff for the PEU. The analysis also considered the PEFA scores for the Budget Cycle, pointing out that scores for accounting and external audit are particularly low.
- 3.2 In light of the above, it is recommended that the MoF gives careful consideration to include in the program's design some key members in a PEU to strengthen its institutional capacity. Appropriate selection/appointment of Financial Management and Procurement Specialists is necessary to ensure adequate fiduciary accountability and controls during project execution.

Table III.1: Fiduciary Risks and recommended mitigation actions

Risks/weakness	Action recommended	Compliance by
Delays in procurement due to limited experience applying IDB procurement policies and procedures.	The Bank will offer a progressive training plan to procurement staff in the PEU and explain acceptable bidding methods, and integration of new types as they move into a new business model, and will supervise processes in ex ante modality until there will be sufficient capacity to mitigate risks of errors in procurement. Moreover a Procurement Specialist will be hired under the PEU.	Project startup date
Delays in financial reporting due to limited experience applying IDB financial management policies and procedures. The delays in reporting relate to the inefficiencies observed in other projects in relation to	The Bank will offer a progressive training plan to financial management to Project Execution Unit staff, including financial planning. Moreover a Financial Management Specialist will be hired under the Project Execution Unit.	Project startup date

Risks/weakness	Action recommended	Compliance by
<p>the documentation process of the centralized accounting and treasury systems, which make it difficult to gather the information necessary to make payments, conduct documentary reviews and prepare disbursement requests. These inefficiencies also limit the ability to have accurate financial planning due to long treasury processing turnaround.</p> <p>These structural inefficiencies have also led to late presentation of audited financial statements in other projects as information for testing purposes is not readily available, even in those cases in which the audit has been performed by the Auditor's General Office.</p>	<ul style="list-style-type: none"> • If necessary, reduce the standard percentage (80%) of justification of funds required for new advances to a more manageable minimum level (50%-60%). This flexibility will allow us to manage better our financial projections. • If necessary, extend the deadline of 120 days for the presentation of the Audited Financial Statements 	<p>During execution..</p> <p>During execution.</p>
<p>Occurrence of low coordination/Project Governance is limited as there are components under the responsibilities of entities outside the MoF.</p>	<p>An Operations Manual will be required, which will outline the different roles, responsibilities and procedures for project coordination/execution.</p>	<p>As special condition prior in the loan contract.</p>

IV. ASPECTS TO BE CONSIDERED IN THE SPECIAL CONDITIONS OF CONTRACT

- 4.1 Based on the fiduciary risk evaluation and mitigation actions, the fiduciary arrangements that are recommended are the following:
- a. Evidences for first disbursement: (i) the Project Execution Unit (PEU) has been set up, comprising the program coordinator, the procurement specialist and a senior financial specialist to carry out the planning, financing and ICT procurement activities of the program, all in accordance with the terms of reference duly approved by the Bank; (ii) the Steering Committee (SC) of the program has been created; (iii) the head of the PEU and the Component Coordinators (CC) have been appointed¹; and (iv) the operations manual of the program has been agreed with the executing agency on the terms previously approved by the Bank.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 Procurement for the proposed project will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American

¹ The Component Coordinators have to be representatives from the areas to be strengthened.

Development Bank (GN-2349-9) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-9), and with the provisions established in the loan contract and these procurement fiduciary arrangements.

- a. **Procurement of Works, Goods and Non-Consulting Services:** The contracts for Works, Goods, and Non-Consulting Services² generated under the project and subject to International Competitive Bidding will be executed through the use of the Standard Bidding Documents (SBDs) issued by the Bank. The processes subject to National Competitive Bidding (NCB) will be executed through the use of bidding documents based on the above mentioned standard documents and satisfactory to the Bank. The technical specifications review during the preparation of the selection process is the responsibility of the project sector specialist.
- b. **Selection and Contracting of Consultants:** The consulting services contracts generated under this project will be selected and contracted using the Standard Request for Proposals (SRFPs) issued by the Bank, when advertising at the international level and a document satisfactory to the Bank when advertising at the local level. The terms of reference review for the selection of consulting services is the responsibility of the project sector specialist.
- c. **Selection of Individual Consultants:** Contracts of individual consultants will be carried out using procedures per Section 5 of Policies GN-2350-9. Posting of opportunities for individual consultant contracts may be advertised internationally or locally in order to attract qualified individuals.
- d. **Training:** Training will be provided to MoF Project Execution Unit staff in charge of the financial management and procurement execution prior to starting activities and based on the Annual Operations Plan.
- e. **Exchange Rate:** The exchange rate considered was 1 US dollar = 2 BH dollars; however, will prevail the exchange rate in force in the borrower's country on the effective date of payment of the expenditure in the currency of the borrower's country.
- f. **Recurrent Expenses:** None.
- g. **Retroactive Financing:** None.

Table V.1: Thresholds (US\$ thousands)

Works			Goods ³			Consulting Services	
International Competitive Bidding	National Competitive Bidding	Shopping	International Competitive Bidding	National Competitive Bidding	Shopping	Inter-national Advertising	100% National Short List
≥3,000	150 - 3,000	≤150	≥150	50 - 150	≤50	>200	<200

² Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (GN-2349-9) paragraph 1.1: The services different to consulting services have a similar process as procurement of Goods. The exchange rate considered was 1 US dollar = 2 BH dollars.

³ Including different services other than consulting.

Table V.2. Main Procurement Activities

Activity	Procurement Method	Estimated Date	Estimated Amount 000'US\$
Goods			
New IT System for government policies performance monitoring (off the shelf)	ICB	2016	\$1,300,000
New IT statistic System and Website	ICB	2017	\$2,000,000
New IFMIS system including configuration and customization	ICB	2016	\$8,000,000
Activity	Procurement Method	Estimated Date	Estimated Amount 000'US\$
Consulting Firms			
The development of the new management model for monitoring the implementation of priority projects and programs.	QCBS	2015	\$800,000
Preparation a needs assessment for financial management and the strategic plan	QCBS	2015	\$1,000,000
The implementation of the recommendations to be proposed by the needs assessment for financial management and the strategic plan.	QCBS	2016	\$4,000,000
Support to the implementation of the upgrade of the current Masterpiece system to current version, new Charter of Accounts, etc.	QCBS	2017	\$2,000,000
Individual Consultants			
Development of a National Strategy for Statistical Development (NSDS)	IICQ	2016	\$105,600
Preparation of terms of Reference	NICQ	2015	\$140,800

*To access the 18 month procurement plan, click [here](#).

VI. PROCUREMENT SUPERVISION

- 6.1 The supervision method for procurement execution will be established ex ante until the Project Execution Unit Procurement Expert has gained experience observing Bank policies, procedures, and use of standard bidding documents. The ex post modality will be recommended by the Procurement Specialist in accordance to outcomes of supervision visits that will be performed every 12 months and indicated in the Project Supervision plan. When ex post review is recommended, the supervision visits will be performed jointly with ex ante visits.

Table VI. 1: Threshold for Ex Post Review

Works	Goods	Consulting Services
< TBD	< TBD	< TBD

Note: The established threshold amounts for ex post review is applied based on the fiduciary capacity of the executing agency and can be modified by the Bank if the level of capacity varies.

VII. SPECIAL STIPULATIONS

- 7.1 As indicated in Section IV.

VIII. FINANCIAL MANAGEMENT

- 8.1 **Programming and Budget:** During its budget call the Budget Department of the Ministry of Finance sends out its circular including the required forms to be

completed. The information is completed by the various Ministries and forms are returned to the Budget Department. At this stage the Budget Department must key in all of the information it receives from the various Ministries and Departments to complete the Budget call. Once the Budget has been approved, and the warrant issued by the Minister of Finance, an interface is done by the IT department to upload the information to the Treasury's system.

- 8.2 The Borrower has committed to allocate, for each fiscal year of project execution, adequate fiscal space to guarantee the unfettered execution of the project; as determined by normal operative instruments such as the Annual Operating Plan and the Procurement Plan.
- 8.3 The Budget Department has agreed to make an effort to accommodate a budgetary structure consistent with project budget lines as set forth in annex A of the corresponding loan contract.
- 8.4 **Accounting and Information Systems:** The Treasury Department has also agreed to make an effort to open and maintain a set of accounts to accommodate the reporting needs of the project and its budget structure.
- 8.5 **Disbursements and Funds Flows:** The preferred method of disbursement will be advances of funds on the basis of a financial plan. The Treasury Department is in agreement to establish a Special Account at the Central Bank of The Bahamas, denominated in US Dollars. This account will have exclusive use to cover for project expenditures. Advances will be requested and deposited into this account on the basis of a financial plan. The Project Execution Unit commits to maintain strict control over the utilization of the Advances so as to ensure the easy verification and reconciliation of balances between the Executing Agency's records and IDB records (WLMS1 Summary Report). Other methods of disbursement will be considered on a case by case basis.
- 8.6 The project will provide adequate justification of the existing Advance of Funds balance, whenever at least 80% of said balance has been spent; if necessary, a lower percentage may be considered within the context of the revised Financial Management Guidelines. Advances will normally cover a period not exceeding 180 days and no less than 90 days.
- 8.7 In order to request disbursements from the Bank, the Executing Agency will present the following forms and supporting documents:

Type of Disbursement	Mandatory Forms	Optional forms/ information that can be requested by the IDB
Advance	Disbursement Request/ Financial Plan	List of Commitments Physical/Financial Progress Reports
Reimbursements of Payments Made	Disbursement Request/ Project Execution Status/ Statement of Expenses	List of Commitments Physical/Financial Progress Reports
Direct Payment to Supplier	Disbursement Request/ Acceptable Supporting Documentation	List of Commitments Physical/Financial Progress Reports

- 8.8 Supporting documentation for Justification of Advances and Reimbursement of Payments Made will be kept at the office of the Project Execution Unit. Copies of

the support documentation only in the case of direct payments will be sent to the Bank for processing. Disbursements' supporting documents may be reviewed by the Bank on an ex-post basis. These reviews do not entail a blanket approval, based on the samples reviewed, of the whole universe of expenditures.

- 8.9 Internal Control and Audit: The internal control capacity is estimated to be satisfactory. To the extent possible, the internal audit unit will provide oversight to the project.
- 8.10 External Control and Reporting: The Government is agreement to use the services of the Auditor's General Office to conduct the external control of the Program. For information purposes it should be noted that there are four audit firms eligible to audit projects of high or lesser risk, one for medium or lesser risk projects and four eligible for only low risk projects. Some of these firms are involved in consultancy engagement in important aspects of financial management reform, which would limit their participation in the external control of the program.
- 8.11 Financial Supervision Plan: Financial, Accounting and Institutional Inspection visits will be performed at least annually, covering the following: (a) Review of the Reconciliation and supporting documentation for Advances and Justifications; (b) Compliance with financial and procurement procedures; (c) Review of compliance with the lending criteria; (d) Conducting Ex Post Review of Disbursements. Financial Supervision will be developed based on the initial and subsequent risk assessments carried out for the project.

ANNEX:

Desk Institutional Capacity Assessment: [IDBDOCS#38852127](#)

SAFEGUARD POLICY FILTER REPORT

PROJECT DETAILS	
IDB Sector	REFORM / MODERNIZATION OF THE STATE-REFORM AND PUBLIC SECTOR SUPPORT
Type of Operation	Other Lending or Financing Instrument
Additional Operation Details	
Investment Checklist	Institutional Development Investment
Team Leader	Pantzer, Robert (ROBERTPA@iadb.org)
Project Title	Public Sector Management
Project Number	BH-L1035
Safeguard Screening Assessor(s)	Torrico, Blanca (blancat@IADB.ORG)
Assessment Date	2014-01-27

SAFEGUARD POLICY FILTER RESULTS		
Type of Operation	Loan Operation	
Safeguard Policy Items Identified (Yes)	The Bank will make available to the public the relevant Project documents.	(B.01) Access to Information Policy– OP-102
	The operation is in compliance with environmental, specific women's rights, gender, and indigenous laws and regulations of the country where the operation is being implemented (including national obligations established under ratified Multilateral Environmental Agreements).	(B.02)
	The Bank will monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.	(B.07)
Potential Safeguard Policy Items(?)	No potential issues identified	
Recommended Action:	Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent) and Safeguard Screening Form to ESR.	
Additional Comments:		

ASSESSOR DETAILS	
Name of person who completed screening:	Torrico, Blanca (blancat@IADB.ORG)
Title:	
Date:	2014-01-27

SAFEGUARD SCREENING FORM

PROJECT DETAILS	
IDB Sector	REFORM / MODERNIZATION OF THE STATE-REFORM AND PUBLIC SECTOR SUPPORT
Type of Operation	Other Lending or Financing Instrument
Additional Operation Details	
Country	BAHAMAS
Project Status	
Investment Checklist	Institutional Development Investment
Team Leader	Pantzer, Robert (ROBERTPA@iadb.org)
Project Title	Public Sector Management
Project Number	BH-L1035
Safeguard Screening Assessor(s)	Torrico, Blanca (blanecat@IADB.ORG)
Assessment Date	2014-01-27

PROJECT CLASSIFICATION SUMMARY		
Project Category: C	Override Rating:	Override Justification:
		Comments:
Conditions/ Recommendations	<ul style="list-style-type: none"> • No environmental assessment studies or consultations are required for Category "C" operations. • Some Category "C" operations may require specific safeguard or monitoring requirements (Policy Directive B.3). Where relevant, these operations will establish safeguard, or monitoring requirements to address environmental and other risks (social, disaster, cultural, health and safety etc.). • The Project Team must send the PP (or equivalent) containing the Environmental and Social Strategy (the requirements for an ESS are described in the Environment Policy Guideline: Directive B.3) as well as the Safeguard Policy Filter and Safeguard Screening Form Reports. 	

SUMMARY OF IMPACTS/RISKS AND POTENTIAL SOLUTIONS	
Identified Impacts/Risks	Potential Solutions