

**CARIBBEAN DEVELOPMENT BANK**



**PROJECT COMPLETION VALIDATION REPORT  
WITH MANAGEMENT RESPONSE (APPENDIX 1)**

**COMMONWEALTH OF THE BAHAMAS:  
EXOGENOUS SHOCK RESPONSE POLICY-BASED LOAN SERIES**

This Document is being made publicly available in accordance with the Bank's Information Disclosure Policy. The Bank does not accept responsibility for the accuracy or completeness of the Document.

**Any designation or demarcation of, or reference to, a particular territory or geographic area in this Document is not intended to imply any opinion or judgment on the part of the Bank as to the legal or other status of any territory or area or as to the delimitation of frontiers or boundaries.**

**OFFICE OF INDEPENDENT EVALUATION  
MARCH 2023**

**CARIBBEAN DEVELOPMENT BANK**



**PROJECT COMPLETION VALIDATION REPORT**

**COMMONWEALTH OF THE BAHAMAS:  
EXOGENOUS SHOCK RESPONSE POLICY-BASED LOAN SERIES**

Head Office of Independent Evaluation (Ag)	- Serena Rossignoli
Reviewer	- Ali Khadr
Quality Control Reviewers	

**OFFICE OF INDEPENDENT EVALUATION  
MARCH 2023**

## **CURRENCY EQUIVALENT**

Dollars (\$) throughout refer to United States dollars (USD) unless otherwise stated.

$$BSDI = USDI$$

## **ABBREVIATIONS**

AOP	-	Annual Operating Plan
CCRIF SPC	-	Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company
CDB	-	Caribbean Development Bank
CDRMP	-	Comprehensive Disaster Risk Management Plan
CRCIMP	-	Climate-Resilient Coastal Management and Infrastructure Program
DRA	-	Disaster Resilience Act
DRM	-	Disaster Response Management
DRRF	-	Disaster Relief and Resilience Fund
ESR	-	Exogenous Shock Response
FAP	-	Fiscal Adjustment Plan
FRA	-	Fiscal Responsibility Act
FSR	-	Fiscal Responsibility Council
FY	-	Financial Year
GDP	-	Gross Domestic Product
GOCB	-	Government of the Commonwealth of the Bahamas
ICR	-	Implementation Completion Report
NEMA	-	National Emergency Management Agency
OCR	-	Ordinary Capital Resources
OIE	-	Office of Independent Evaluation
PAS	-	Performance Assessment System
PBL	-	Policy-based Loan
PFM	-	Public Financial Management
PSR	-	Project Supervision Report

## **TABLE OF CONTENTS**

### **EXECUTIVE SUMMARY**

- 1. BASIC PROJECT DATA**
- 2. PROJECT DESCRIPTION**
  - Background
  - Rationale
  - Expected Outcomes
  - Prior Actions for the Exogenous Shock Response Policy-based Loan Series
  - Implementation Arrangements
- 3. PROJECT COMPLETION REPORT REVIEW**
  - Relevance
  - Effectiveness
  - Efficiency
  - Sustainability
  - Borrower/Executing Agency Performance
  - Caribbean Development Bank Performance
  - Exogenous Shock Response Policy-based Loan Series Support for Cross-cutting Themes
- 4. CONCLUSION**
  - Summary of Performance
  - Lessons
  - Implementation Completion Report Quality

### **APPENDICES**

- APPENDIX 1 : MANAGEMENT RESPONSE  
APPENDIX 2 : RESULTS FRAMEWORK MATRIX

## EXECUTIVE SUMMARY

### **EXOGENOUS SHOCK RESPONSE POLICY-BASED LOAN SERIES DESCRIPTION**

The Exogenous Shock Response (ESR) Policy-Based Operations (PBO) series, which consisted of two stand-alone operations, was approved by the Caribbean Development Bank's (CDB) Board on December 12, 2019, and September 24, 2020, respectively. The series was initially deployed to assist the Government of the Commonwealth of The Bahamas (GOCB) to cope with the fallout from Hurricane Dorian, which made landfall on the Abaco Islands as a Category 5 storm. By the time the second operation in the series was appraised, The Bahamas had been struck by a second catastrophic shock, the onset of the COVID-19 pandemic. This severely impacted tourism, the country's leading source of income and employment. In response, CDB adjusted the operation's objectives and design to address the effects of the pandemic. The amount of the second operation was also increased relative to the amount originally planned for (by USD15 million (mn)) to help the country cope with the effects of the pandemic.

### **EXPECTED OUTCOMES**

2. Under the first pillar of strengthened fiscal management, the ESR Policy-based Loan (PBL) series sought to achieve the following outcomes:
  - A strengthened Fiscal Legislative framework (implementation of the Fiscal Responsibility Act (FRA) to improve fiscal discipline.
  - Enhanced Accountability of Public Finances through the establishment and staffing of the Fiscal Responsibility Council in accordance with the FRA.
  - Improved fiscal transparency and reporting through the preparation and approval of a Fiscal Adjustment Plan (FAP).
  - Improved fiscal governance through the preparation and enactment into law of a modern Public Financial Management (PFM) bill.
  - Improved management of public debt and guarantees through the drafting and approval into law of a Public Debt Management bill and progress in setting up the institutional framework, including the establishment and staffing of a Debt Management Unit.
  - A strengthened procurement system through the drafting and approval of public procurement legislation.
  
3. Under the second pillar of enhancing natural disaster resilience, reforms were expected to result in the following outcomes:

*Towards improved institutional, coordination, and planning capacities in key institutions in Disaster Risk Management, the following outcomes were sought:*

- Improved institutional coordination of the actions of Disaster Response Management (DRM) agencies through the enactment of a Disaster Resilience Act (DRA), as well as the establishment, staffing, and resourcing of the Ministry of Disaster Preparedness, Management, and Reconstruction to promote coordination across DRM agencies.
- A strengthened legislative environment for disaster recovery through the enactment of the Disaster Preparedness and Response (Amendments) Act.
- Improved technical capacity and service delivery at the National Emergency Management Agency (NEMA) through its restructuring and the establishment of a plan of action for institutional reforms towards improving its responsiveness.

*Towards enhanced physical resilience to coastal hazards, the following outcomes were sought:*

- Improved DRM planning through the preparation and approval by the Cabinet of a comprehensive disaster risk management plan (CDRMP) to contribute to improving DRM planning.
- Improved scientific measurement and risk identification through the approval of disaster risk profile and mapping projects targeted at improving scientific measurement and risk identification of natural hazards.
- Improved coastal management practices through Cabinet approval of the Year 2 Climate-Resilient Coastal Management and Infrastructure Program (CRCIMP), Annual Operating Plan (AOP) which outlined improvements to coastal protection and institutional capacity for coastal management.
- Improved DRM practices through Cabinet approval of the Disaster Risk Profile to help improve DRM planning and evidence-based decision-making.

*Towards increased access to finance for natural disaster recovery, the following outcomes were sought:*

- Improved access to finance for low-impact natural disasters through the preparation and enactment of a Disaster Relief and Resilience Fund (DRRF) bill.
- Improved access to finance for high-impact natural disasters through the approval by Parliament of the establishment of the Contingent Credit Facility to improve access to financing for high-impact disasters and financial resilience to natural disasters.
- Improved insurance coverage for high-impact natural disasters through the improvement of insurance coverage for high-impact natural disasters with the renewal of the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC) Insurance coverage for Financial Year (FY) 2019/20, and a review of the coverage for FY 2020/21.
- Increased access to immediate financial resources for post-recovery needs through the renewal of the CCRIF SPC Insurance coverage for FY 2019/20 to secure access to immediate financial resources for post-recovery needs and the completion of a review of the coverage for FY 2020/21.

4. Under the third pillar of strengthened immediate response in the health and micro, small, and medium-sized enterprise sectors related to the COVID-19 pandemic, the following outcomes were sought (ESRPBL 2 only):

- Improved access to immediate assistance (social protection) to sustain/protect enterprises and livelihoods, preserve jobs, and support income especially for vulnerable groups and smaller businesses by spending one percent (%) of Gross Domestic Product (GDP) on COVID-19-related expenditure in 2020.
- Increased allocation of resources for COVID-19 health response to better prepare the health system to respond to the ongoing crisis by allocating/spending at least 1% of GDP on the COVID-19 health response in 2020.
- Improved liquidity to sustain small businesses in the short term through the provision of at least 1% of GDP in 2020.
- Increased access to temporary financial assistance for unemployed and poor households due to disruptions caused by COVID-19 by making available at least 1% of GDP in 2020.

## EVALUATION OF PERFORMANCE

5. The Implementation Completion Report (ICR) was finalized on June 13, 2022, and was validated by the Office of Independent Evaluation (OIE) in February 2023. The Evaluator rates the overall performance of the PBL as **Satisfactory**, consistent with the rating in the ICR. With respect to the individual criteria, relevance received a **Highly Satisfactory** rating, while effectiveness, sustainability, and efficiency were given **Satisfactory** ratings, using the Performance Assessment System (PAS) 2013. This validation concurs with the ratings in the ICR.

## BORROWER AND EXECUTING AGENCY PERFORMANCE

6. The Evaluator concurs with the ICR's rating of the Borrowing/Executing Agency's performance as *Highly Satisfactory*. All reform actions (outputs) were completed in a timely fashion with high borrower commitment.

## THE CARIBBEAN DEVELOPMENT BANK'S PERFORMANCE

7. The Evaluator concurs with the ICR's rating of *Highly Satisfactory* with respect to CDB's performance. Following the occurrence of Hurricane Dorian, CDB responded timely with the first in the ESR PBL series that addressed the highest priority policy issues, then flexibly adapted the design of the second loan in the series (including by increasing the amount relative to that planned initially). This sought to support GOCB's COVID-19 response in addition to the original goals of strengthening management and disaster resilience.

**TABLE 1: SUMMARY RATINGS OF CORE EVALUATION CRITERIA AND OVERALL PERFORMANCE ASSESSMENT OF THE PROJECT**

Criteria	PCR <sup>1</sup>	OIE Review	Justification
<i>Relevance</i>	Highly Satisfactory (4)	Highly Satisfactory (4)	The ESR PBL series' objectives—to support policy reforms aimed at strengthening fiscal and environmental resilience in the wake of Hurricane Dorian, and in the second loan to support GOCB's response to the pandemic—were highly relevant, mirroring government policy priorities and the country's development needs. The ESR PBL series' objectives were also consistent with CDB's Strategic Objectives of: (a) supporting inclusive sustainable growth and development; (b) promoting good governance; and (c) enhancing organisational efficiency and effectiveness. Similarly, the PBL series' relevance of design was also very high, with the series supporting measures critical to the achievement of its objectives; and the design of the second PBL adapted to respond to the COVID-19 pandemic, as well as continuing to support strengthened fiscal management and environmental resilience.

<sup>1</sup> The ICR used PAS 2013 scores and ratings.

<b>Criteria</b>	<b>PCR<sup>1</sup></b>	<b>OIE Review</b>	<b>Justification</b>
<i>Effectiveness</i>	Satisfactory (3)	Satisfactory (3)	The pandemic adversely affected recovery and reform momentum and the combined effects of Hurricane Dorian and the pandemic partially reversed policy on fiscal and debt sustainability. Despite this, the program of macroeconomic policy and institutional reform measures, supported by the series to strengthen the legal and operational framework for improved fiscal management (including a series of legislative reforms, particularly the passage of the FRA), provided for greater fiscal prudence, medium-term stability, and a return to long-run sustainability of fiscal deficits, debt, and growth. The ESR PBL series also helped boost liquidity for the provision of support for social protection to mitigate the adverse effects of the pandemic.
<i>Efficiency</i>	Satisfactory (3)	Satisfactory (3)	The ESR PBL offered resources to GOCB that were cost-effective, relative to non-international financial institutions (IFI) resources. It, therefore, contributed to reducing the government's overall cost of borrowing and lengthening the average time to maturity of the government debt portfolio. The series' appraisal and approval were timely, providing GOCB with resources in a very short timeframe. Moreover, GOCB's reform implementation was opportune, despite the added shock of the onset of the pandemic.
<i>Sustainability</i>	Satisfactory (3)	Satisfactory (3)	The reforms undertaken under the ESR PBL series have produced sustained results, despite the setback suffered under Hurricane Dorian and the COVID-19 pandemic. For example, GDP growth, which registered negative 24% in 2020, rebounded well in 2021 and 2022 (by 13.7% and 8%, respectively). The fiscal deficit, which peaked at 13.7% of GDP in 2021, moderated to an estimated 6.7% of GDP in 2022). Similarly, public debt peaked at over 103% of GDP in 2021 but declined to less than 91% of GDP in 2022. The outlook for reform sustainability is promising, given the strong ownership of the program by GOCB.
<b>Composite (Aggregate) Performance Rating</b>	<b>Satisfactory (3)</b>	<b>Satisfactory (3)</b>	This validation assesses the overall performance of the PBL as Satisfactory given the Highly Satisfactory rating for relevance and the Satisfactory ratings for effectiveness, efficiency, and sustainability.
<i>Borrower &amp; EA Performance</i>	Highly Satisfactory (4)	Highly Satisfactory (4)	The timely implementation of reforms supported by the ESR PBL series reflected GOCB's commitment to and ownership of the reform program PBL and strong coordination between GOCB and CDB, including full engagement of GOCB in the design and implementation of the series. GOCB's appointment of a senior civil servant (the Director of Economic Planning) as coordinator for the PBL enabled high-quality coordination among all relevant parties, which facilitated smooth implementation of the series.



Criteria	PCR <sup>1</sup>	OIE Review	Justification
<i>CDB Performance</i>	Highly Satisfactory (4)	Highly Satisfactory (4)	CDB demonstrated its agility in responding to crises in The Bahamas. It appraised the series in a very compressed timeframe, delivering timely and much-needed funding to GOCB. CDB's staffing of the team for the series was solid and engaged closely with GOCB in preparing and implementing the ESR PBL series. Good account was taken of lessons learnt and risks assessed during appraisal. CDB also demonstrated flexibility by accommodating a revision in the scope of the program to take into consideration the need to respond to the COVID-19 pandemic during the implementation of the second operation. The series was also well supervised and Project Supervision Reports (PSRs) were completed as required.
<i>Quality of ICR</i>		Satisfactory (3)	The ICR provided a satisfactory qualitative overview of the implementation of the ESR PBL series and its results at completion.

## LESSONS LEARNED

8. The Evaluator agrees with the following lessons highlighted in the ICR:

- Employing a programmatic approach to the PBO design supported timely implementation/disbursement and important flexibility and responsiveness of the PBO.
- Strong, consistent commitment and political will on the part of the borrower, supported by the designation of high-level coordinator, is critical for the successful implementation of the PBO.
- PBLs must be designed with capacity constraints in mind. As such, the focus should be on a few key and immediate priorities with a limited number of outcomes and prior actions particularly where there are significant capacity constraints during or after a crisis.
- The ESR PBL is intended to provide quick disbursing liquidity in response to an emergency; as such, efforts should be made to limit the number of reform actions needed to be satisfied to trigger disbursement of the loan as quickly as possible.

1. **BASIC PROJECT DATA SHEET**

**Project Titles:** Exogenous Shock Response PBL series  
**Country:** Commonwealth of The Bahamas  
**Sector:** Multi-Sector  
**Loan No.:** 14/OR-BHA and 15/OR-BHA  
**Borrower:** Government of the Commonwealth of The Bahamas  
**Implementing/Executing Agency:** Ministry of Finance

**CDB LOANS (USD mn)**

<b><u>Disbursements (\$mn)</u></b>	<b><u>Ordinary Capital Resources</u></b>	<b><u>Special Fund Resources</u></b>	<b><u>Total</u></b>
Original Loans Amount	75.00	0.0	75.0
Total Loans Disbursed	90.0	0.0	90.00
Cancelled	-	-	-

<b><u>Project Milestones</u></b>	<b><u>At Appraisal</u></b>	<b><u>Actual</u></b>	<b><u>Variance (months)</u></b>
Board Approval	2019-12-12; 2020-09-24	2019-12-12; 2020-09-24	-
First Loan Agreement signed	2020-03-30; 2020-10-28	2020-03-30; 2020-10-28	-
First Loan Effectiveness <sup>2</sup>	2020-03-30; 2020-10-28	2020-03-30; 2020-10-28	-

<b><u>CDB Loan</u></b>	<b><u>At Appraisal</u></b>	<b><u>Actual</u></b>	<b><u>Variance (months)</u></b>
Disbursement Date Loans	2020-03-30; 2020-10-28	2020-03-30; 2020-10-28	-
Terminal Disbursement Date (TDD)	2020-03-30; 2021-03-31	2020-03-30; 2021-3-31	-
TDD Extensions (number)	-	-	-

<b><u>Project Cost &amp; Financing (\$mn)</u></b>	<b><u>At Appraisal</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
CDB Loans	75.00	90.00	15.00
CDB Grant	-	-	-
Counterpart (GOB)	-	-	-
<b>Total</b>	<b>75.00</b>	<b>90.00</b>	<b>15.00</b>

<b><u>Terms</u></b>	<b><u>Interest Rate</u></b>	<b><u>Repayment</u></b>	<b><u>Grace Period</u></b>
CDB Loan (OCR)	4.5 (variable)	12	5 years

<b><u>Implementation</u></b>	<b><u>At Appraisal</u></b>	<b><u>Actual</u></b>	<b><u>Variance (months)</u></b>
Start Date	2020-03-30; 2020-10-28	2020-03-30; 2020-10-28	-
Completion Date	2020-03-30; 2021-03-31	2020-03-30; 2021-03-31	-
Implementation Period (years)	1	1	-

**Economic Rate of Return (%)**

At Appraisal

<sup>2</sup> Date conditions to First Disbursement satisfied

## **2. PROJECT DESCRIPTION**

### **Background**

2.01 Prior to the occurrence of Hurricane Dorian in September 2019, GOCB had launched several key Public Finance Management (PFM) reforms to strengthen its fiscal institutional and regulatory framework. These included the enactment of the Fiscal Responsibility Act (FRA) (October 2018) to help strengthen fiscal discipline and maintain fiscal stability. These reforms were accompanied by others to stimulate sustainable private sector-led growth. The credibility of the FRA was bolstered by the establishment of a Fiscal Responsibility Council (FRC) to enforce the rule-based policy framework. FRA helped strengthen the transparency and accountability of public finances by introducing new fiscal reporting requirements, including a Fiscal Strategy Report (FSR) to guide ongoing PFM reforms. Other reforms included: (a) the adoption of the International Public Sector Accounting Standards, with the objective of improving transparency and accountability; (b) strengthening fiscal sustainability and credibility by providing a more comprehensive, accurate, and reliable perspective of public finances; and (c) subscribing to the International Monetary Fund's General Data Dissemination System, which significantly improved data quality and availability. PFM reforms were accompanied by a comprehensive financial strategy to strengthen fiscal preparedness for natural disasters, including a natural disaster fund for the creation and disbursement of fiscal savings for recovery from lower-impact but higher-frequency disaster events. Additionally, there was the preparation of a Comprehensive Disaster Risk Management Plan (CDRMP) to cover all aspects of the disaster management cycle; the drafting of the disaster risk profile which is critical to the design of coastal protection measures to be installed over the short and medium term; the establishment of a contingent credit facility with Inter-America Development Bank (IDB) in 2018 to help address financing needs from high impact events; and the incorporation of a natural disaster exceptional circumstance clause in FRA.

2.02 The first exogenous shock occurred on September 1, 2019, when Hurricane Dorian (a category 5 Atlantic hurricane) made landfall on the Abaco Islands, slowing growth for the year to 1.8%. The second exogenous shock, the onset of the COVID-19 pandemic, struck barely six months later, crippling the Bahamas' tourism sector, thereby adversely affecting broader economic activity and leading to a decline in GDP of about 14% in 2020. In the wake of the twin shocks, GOCB invoked the 'Exceptional Circumstances Clause' of the Fiscal Responsibility Act (FRA), leading to a widening of the fiscal deficit and an increase in public debt from 60% of GDP at the end of FY2018/19 to 89.9% at the end of FY2019/20.

### **Rationale**

2.03 The rationale for the ESR PBL series was to support GOCB in addressing the impact, initially of Hurricane Dorian and later the second shock, the COVID-19 pandemic. The series was therefore amply justified. It supported reforms to strengthen fiscal management, enhance natural disaster resilience, and (with the second operation) provide an immediate response in the health and micro, small, and medium-sized enterprise sectors related to the COVID-19 pandemic.

2.04 The ESR PBL series was designed as a two-operation series. The loans were approved by CDB's Board of Directors on December 12, 2019, and September 24, 2020 for a total of USD50 mn and USD40 mn, respectively, funded exclusively from Ordinary Capital Resources (OCR).

## Expected Outcomes

2.05 Under the first pillar of strengthened fiscal management, the ESRPBL series sought to achieve the following outcomes:

- A strengthened Fiscal Legislative framework (implementation of the FRA to improve fiscal discipline.
- Enhanced Accountability of Public Finances through the establishment and staffing of the Fiscal Responsibility Council, in accordance with the FRA.
- Improved fiscal transparency and reporting through the preparation and approval of a FAP.
- Improved fiscal governance through the preparation and enactment into law of a modern Public Financial Management (PFM) bill.
- Improved management of public debt and guarantees through the drafting and approval into law of a Public Debt Management bill and progress in setting up the institutional framework, including the establishment and staffing of a debt management unit.
- A strengthened procurement system through the drafting and approval of public procurement legislation.

2.06 Under the second pillar of enhancing natural disaster resilience, reforms were expected to result in the following outcomes:

*Towards improved institutional, coordination and planning capacities in key institutions in disaster risk management, the following outcomes were sought:*

- Improved institutional coordination of the actions of DRM agencies through the enactment of a Disaster Resilience Act (DRA), as well as the establishment, staffing, and resourcing of the Ministry of Disaster Preparedness, Management, and Reconstruction to promote coordination across Disaster Response Management (DRM) agencies.
- A strengthened legislative environment for disaster recovery through the enactment of the Disaster Preparedness and Response (Amendments) Act.
- Improved technical capacity and service delivery at the National Emergency Management Agency (NEMA) through its restructuring and the establishment of a plan of action for institutional reforms towards improving its responsiveness.

*Towards enhanced physical resilience to coastal hazards, the following outcomes were sought:*

- Improved DRM planning through the preparation and approval by the Cabinet of a comprehensive disaster risk management plan (CDRMP) to contribute to improving DRM planning.
- Improved scientific measurement and risk identification through the approval of disaster risk profile and mapping projects targeted at improving scientific measurement and risk identification of natural hazards.
- Improved coastal management practices through Cabinet approval of the Year 2 Climate-Resilient Coastal Management and Infrastructure Program (CRCIMP), AOP which outlined improvements to coastal protection and institutional capacity for coastal management.
- Improved DRM practices through Cabinet approval of the Disaster Risk Profile to help improve DRM planning and evidence-based decision-making.

*Towards increased access to finance for natural disaster recovery, the following outcomes were sought:*

- Improved access to finance for low-impact natural disasters through the preparation and enactment of a Disaster Relief and Resilience Fund (DRRF) bill.
- Improved access to finance for high-impact natural disasters through the approval by Parliament of the establishment of the Contingent Credit Facility to improve access to financing for high-impact disasters and financial resilience to natural disasters.
- Improved insurance coverage for high-impact natural disasters through the improvement of insurance coverage for high-impact natural disasters with renewal of the CCRIF SPC Insurance coverage for FY 2019/20, and a review of the coverage for FY 2020/21.
- Increased access to immediate financial resources for post-recovery needs through the renewal of the CCRIF SPC Insurance coverage for FY 2019/20 to secure access to immediate financial resources for post-recovery needs and the completion of a review of the coverage for FY 2020/21.

2.07 Under the third pillar of strengthened immediate response in the health and micro, small, and medium-sized enterprise sectors related to the COVID-19 pandemic, the following outcomes were sought (ESRPBL 2 only):

- Improved access to immediate assistance (social protection) to sustain/protect enterprises and livelihoods, preserve jobs, and support income especially for vulnerable groups and smaller businesses by spending 1% of GDP on COVID-19-related expenditure in 2020.
- Increased allocation of resources for COVID-19 health response to better prepare the health system to respond to the ongoing crisis by allocating/spending at least 1% of GDP on the COVID-19 health response in 2020.
- Improved liquidity to sustain small businesses in the short term through the provision of at least 1% of GDP in 2020.
- Increased access to temporary financial assistance for unemployed and poor households due to disruptions caused by COVID-19 by making available at least 1% of GDP in 2020.

### **Prior Actions for the ESR PBL Series**

2.08 The conditions to be satisfied prior to the approval of the two ESR PBLs are summarized in Table 2.

### **Implementation Arrangements**

2.09 The implementation arrangements for the ESR PBL series were for the Economics Department to monitor progress in the implementation of reforms and measures that would underpin the disbursement of each of the ESR PBLs through periodic country visits, desk reviews of information and reports supplied by GOCB's Ministry of Finance, and such other means as CDB might have deemed appropriate.

**TABLE 2: PRIOR ACTIONS FOR BOARD PRESENTATION OF THE FIRST AND SECOND ESR PBLs**

<b>Prior Actions for the First ESR PBL</b>	<b>Prior Actions for the Second ESR PBL</b>
<ul style="list-style-type: none"> <li>• Enactment of FRA, 2018.</li> <li>• Establish and staff a Fiscal Responsibility Council.</li> <li>• Cabinet approval of the post-hurricane FAP.</li> <li>• Establish a MDPMR and enact a DRA.</li> <li>• Enactment of the Disaster Preparedness and Response (Amendments) Act, 2019.</li> <li>• Approval of the CDRMP.</li> <li>• Completion of the draft disaster risk profile.</li> <li>• Completion of the draft Disaster Relief and Resilience Fund Bill.</li> <li>• Approval by the House of Assembly of a contingent credit facility for natural disasters.</li> <li>• Renewal of CCRIF SPC parametric insurance facility for FY 2019/20.</li> </ul>	<ul style="list-style-type: none"> <li>• Approval of the new PFM Bill (2020) by Cabinet.</li> <li>• Approval of the Public Debt Management Bill (PDM) (2020) by Cabinet.</li> <li>• Approval of the draft Procurement Bill by Cabinet.</li> <li>• Full staffing and resourcing of the MDPMR.</li> <li>• Establishment of a plan of action for institutional reforms towards a more responsive and effective NEMA.</li> <li>• Passage of the EPPA, 2019, in Parliament.</li> <li>• Cabinet’s approval of The Bahamas CRCMIP, AOP, Year 2 (January 1, 2020, to December 31, 2020).</li> <li>• Cabinet’s approval of the Disaster Risk Profile.</li> <li>• The taking, by GOCB, of the necessary steps to renew coverage under the CCRIF SPC Insurance facility and make premium payments for FY 2020/2021.</li> <li>• Increase spending for COVID-19 health-related expenditure for FY 2020/2021.</li> <li>• Grant tax relief (a combination of VAT and Business License tax credit and tax deferral) to provide operational liquidity support for small businesses and encourage continued employment.</li> <li>• Increase social spending to provide unemployment and social assistance to unemployed workers and poor households in response to the COVID-19 pandemic.</li> </ul>

### 3. IMPLEMENTATION COMPLETION REPORT REVIEW

#### **Relevance**

3.01 The Evaluator concurs with the ICR's rating of the relevance of the PBL as **Highly Satisfactory**. The ESR PBL series' objectives—to support policy reforms aimed at strengthening fiscal and environmental resilience in the wake of Hurricane Dorian, and in the second loan to support GOCB's response to the pandemic—were highly relevant, mirroring government policy priorities and the country's development needs. The ESR PBL series' objectives were also consistent with CDB's Strategic Objectives of: (a) supporting inclusive sustainable growth and development; (b) promoting good governance; and (c) enhancing organisational efficiency and effectiveness. Similarly, the design of the PBL series was highly relevant, with the series supporting measures critical to the achievement of its objectives. In addition, the design of the second PBL was adapted to respond to the COVID-19 pandemic, as well as continuing to support strengthened fiscal management and environmental resilience.

#### **Effectiveness**

3.02 The Evaluator agrees with the ICR's rating of **Satisfactory** for the effectiveness of the PBL. Even though the pandemic adversely affected recovery and reform momentum and the combined effects of Hurricane Dorian and the pandemic partially reversed policy on fiscal and debt sustainability, the program of macroeconomic policy and institutional reform measures supported by the series to strengthen the legal and operational framework for improved fiscal management (including a series of legislative reforms, particularly the passage of the FRA) provided for greater fiscal prudence, medium-term stability, and a return to long-run sustainability of fiscal deficits, debt, and growth. The ESR PBL series also helped boost liquidity for the provision of support for social protection to mitigate the adverse effects of the pandemic.

#### **Efficiency**

3.03 The Evaluator concurs with the ICR's rating of the efficiency of the ESR PBL series as **Satisfactory**. The ESR PBL series offered GOCB cost-effective resources relative to non-IFI resources. It therefore contributed to reducing the government's overall cost of borrowing and lengthening the average time to maturity of the government debt portfolio. The series' appraisal and approval were very timely, providing GOCB with resources in a very short timeframe. Moreover, GOCB's reform implementation was opportune, despite the added shock of the onset of the pandemic.

#### **Sustainability**

3.04 The Evaluator assesses the sustainability of reforms and outcomes of the ESR PBL series as Satisfactory, concurring with the ICR's rating. The reforms undertaken under the ESR PBL series have produced sustained results, despite the setbacks suffered under Hurricane Dorian and the COVID-19 pandemic. For example, GDP growth, which registered negative 24% in 2020, rebounded well in 2021 and 2022 (by 13.7% and 8%, respectively). The fiscal deficit, which peaked at 13.7% of GDP in 2021, moderated to an estimated 6.7% of GDP in 2022). Similarly, public debt peaked at over 103% of GDP in 2021 but declined to less than 91% of GDP in 2022. The outlook for reform sustainability is promising, given the strong ownership of the program by GOCB.

### **Borrower/Executing Agency Performance**

3.05 The Evaluator concurs with the ICR's rating of Borrower/Implementing Agency performance as **Highly Satisfactory**. The timely implementation of reforms supported by the ESR PBL series reflected GOCB's commitment to and ownership of the reform program PBL and strong coordination between GOCB and CDB, including full engagement of GOCB in the design and implementation of the series. The GOCB's appointment of a senior civil servant (the Director of Economic Planning) as coordinator for the ESR PBL series enabled high-quality coordination among all relevant parties, which facilitated smooth implementation of the series.

### **Caribbean Development Bank Performance**

3.06 The Evaluator concurs with the ICR's rating of CDB performance as **Highly Satisfactory**. CDB demonstrated agility in responding to crises in The Bahamas. It appraised the series in a very compressed timeframe, delivering timely and much-needed funding to GOCB. CDB's staffing of the team for the series was solid and engaged closely with GOCB in preparing and implementing the ESR PBL series. Good account was taken of lessons learnt and risks assessed during appraisal. CDB also demonstrated flexibility by accommodating a revision in the scope of the program to take into consideration the need to respond to the COVID-19 pandemic during the implementation of the second operation. The series was also well supervised and PSRs were completed as required.

### **ESR PBL Series Support for Cross-Cutting Themes**

3.07 While the ESR PBL series did not provide explicit support for enhancing gender equity, it did support the strengthening of disaster and climate change resilience, as well as institutional strengthening, specifically in expenditure management and disaster preparedness and response.



#### 4. CONCLUSION

### SUMMARY RATINGS OF CORE EVALUATION CRITERIA AND OVERALL PERFORMANCE ASSESSMENT OF THE ESR PBL SERIES

Criteria	ICR	OIE Review	Justification
<i>Relevance</i>	Highly Satisfactory (4)	Highly Satisfactory (4)	The ESR PBL series' objectives—to support policy reforms aimed at strengthening fiscal and environmental resilience in the wake of Hurricane Dorian, and in the second loan to support GOCB's response to the pandemic—were highly relevant, mirroring government policy priorities and the country's development needs. The ESR PBL series' objectives were also consistent with CDB's Strategic Objectives of: (a) supporting inclusive sustainable growth and development; (b) promoting good governance; and (c) enhancing organisational efficiency and effectiveness. Similarly, the ESR PBL series' relevance of design was also very high, with the series supporting measures critical to the achievement of its objectives, and the design of the second PBL adapted from the initially anticipated design to respond to the COVID-19 pandemic as well as continuing to support strengthened fiscal management and environmental resilience.
<i>Effectiveness</i>	Satisfactory (3)	Satisfactory (3)	The pandemic adversely affected recovery and reform momentum and the combined effects of Hurricane Dorian and the pandemic partially reversed policy on fiscal and debt sustainability. Despite this, the program of macroeconomic policy and institutional reform measures supported by the series to strengthen the legal and operational framework for improved fiscal management, (including a series of legislative reforms, particularly the passage of the FRA), provided for greater fiscal prudence, medium-term stability, and a return to long-run sustainability of fiscal deficits, debt, and growth. The ESR PBL series also helped boost liquidity for the provision of support for social protection to mitigate the adverse effects of the pandemic.
<i>Efficiency</i>	Satisfactory (3)	Satisfactory (2)	The ESR PBL offered resources to GOCB which were cost effective relative to non-IFI resources. It therefore contributed to reducing the government's overall cost of borrowing and lengthening the average time to maturity of the government debt portfolio. The series' appraisal and approval were very timely, providing GOCB with resources in a very short timeframe. Moreover, GOCB's reform implementation was opportune, despite the added shock of the onset of the pandemic.
<i>Sustainability</i>	Satisfactory (3)	Satisfactory (3)	The reforms undertaken under the ESR PBL series have produced sustained results, despite the setbacks suffered under Hurricane Dorian and the COVID-19 pandemic. For example, GDP growth, which registered negative 24% in

Criteria	ICR	OIE Review	Justification
			2020, rebounded well in 2021 and 2022 (by 13.7% and 8%, respectively). The fiscal deficit, which peaked at 13.7% of GDP in 2021, moderated to an estimated 6.7% of GDP in 2022). Similarly, public debt peaked at over 103% of GDP in 2021 but declined to less than 91% of GDP in 2022. The outlook for reform sustainability is promising, given the strong ownership of the program by GOCB.
<b>Composite (Aggregate) Performance Rating</b>		<b>Satisfactory (3)</b>	This validation assesses the overall performance of the ESR PBL series as satisfactory given the highly satisfactory rating for relevance and the satisfactory ratings for effectiveness, sustainability, and efficiency.
<i>Borrower &amp; EA Performance</i>	Highly Satisfactory (4)	Highly Satisfactory (4)	The timely implementation of reforms supported by the ESR PBL series reflected GOCB's commitment to, and ownership of, the reform program PBL and strong coordination between GOCB and CDB, including full engagement of GOCB in the design and implementation of the series. GOCB's appointment of a senior civil servant (the Director of Economic Planning) as coordinator for the ESR PBL series enabled high-quality coordination among all relevant parties, which facilitated smooth implementation of the series.
<i>CDB Performance</i>	Highly Satisfactory (4)	Highly Satisfactory (4)	CDB demonstrated agility in responding to crises in The Bahamas. It appraised the series in a very compressed timeframe, delivering timely and much-needed liquidity funding to GOCB. CDB staffing of the team for the series was solid and engaged closely with GOCB in preparing and implementing the ESR PBL series. Good account was taken of lessons learnt and risks assessed during appraisal. CDB also demonstrated flexibility by accommodating a revision in the scope of the program to take into consideration the need to respond to the COVID-19 pandemic during the implementation of the second operation. The series was also well supervised and PSRs were completed as required.
<i>Quality of ICR</i>		Satisfactory (3)	The ICR provides a satisfactory qualitative overview of the status of the ESR PBL series and its results at completion.

### Lessons

4.01 The ICR highlighted the following lessons, with which the Evaluator agrees:

- Employing a programmatic approach to the ESR PBL series' design supported timely implementation/disbursement and important flexibility and responsiveness of the series.
- Strong, consistent commitment and political will on the part of the borrower, supported by the designation of high-level coordinator, is critical for the successful implementation of the PBL series.

- PBLs must be designed with capacity constraints in mind. As such, the focus should be on a few key and immediate priorities with a limited number of outcomes and prior actions particularly where there are significant capacity constraints during or after a crisis.
- The ESR PBL is intended to provide quick disbursing liquidity in response to an emergency; as such, efforts should be made to limit the number of reform actions needed to be satisfied to trigger disbursement of the loan as quickly as possible.

### **Implementation Completion Report Quality**

4.02 The Evaluator rates ICR quality as *Satisfactory*. The ICR provides adequate background and analysis to understand the context and relevance of the ESR PBL series, including the reforms supported and the expected outputs and outcomes. The evidence provided in support of the various ratings is also of adequate quality.

**MANAGEMENT RESPONSE**



**PROJECT COMPLETION VALIDATION REPORT**

**COMMONWEALTH OF THE BAHAMAS  
EXOGENOUS SHOCK RESPONSE POLICY-BASED LOAN SERIES**

The Draft Project Completion Validation Report was reviewed by staff of the Economics Department, and we agree with the findings of the Office of Independent Evaluation.

**THE BAHAMAS ESR PBLs  
POLICY AND RESULTS MATRIX**

<b>Prior Actions for ESR PBL1 Approval</b>	<b>Prior Actions for ESR PBL2 Approval</b>	<b>Results at the End of the ESR PBL Series</b>
<ul style="list-style-type: none"> <li>• Enactment of FRA, 2018.</li> <li>• Establish and staff a Fiscal Responsibility Council.</li> <li>• Cabinet approval of the post-hurricane FAP.</li> <li>• Establish a MDPMR and enact a DRA.</li> <li>• Enactment of the Disaster Preparedness and Response (Amendments) Act, 2019.</li> <li>• Approval of the CDRMP.</li> <li>• Completion of the draft disaster risk profile.</li> <li>• Completion of the draft Disaster Relief and Resilience Fund Bill.</li> <li>• Approval by the House of Assembly of a contingent credit facility for natural disasters.</li> <li>• Renewal of CCRIF SPC parametric insurance facility for FY 2019/20.</li> </ul>	<ul style="list-style-type: none"> <li>• Approval of the new PFM Bill (2020) by Cabinet.</li> <li>• Approval of the Public Debt Management Bill (PDM) (2020) by Cabinet.</li> <li>• Approval of the draft Procurement Bill by Cabinet.</li> <li>• Full staffing and resourcing of the MDPMR.</li> <li>• Establishment of a plan of action for institutional reforms towards a more responsive and effective NEMA.</li> <li>• Passage of the EPPA, 2019, in Parliament.</li> <li>• Cabinet approval of The Bahamas CRCMIP, AOP, Year 2 (January 1, 2020, to December 31, 2020).</li> <li>• Cabinets approval of the Disaster Risk Profile.</li> <li>• The taking by GOCB of the necessary steps to renew coverage under CCRIF SPC Insurance facility and make premium payments for FY 2020/2021.</li> <li>• Increase spending for COVID-19 health-related expenditure for FY 2020/2021.</li> </ul>	<ul style="list-style-type: none"> <li>• A strengthened Fiscal Legislative framework (implementation of the Fiscal Responsibility Act (FRA)) to improve fiscal discipline.</li> <li>• Enhanced Accountability of Public Finances through the establishment and staffing of the Fiscal Responsibility Council in accordance with the FRA.</li> <li>• Improved fiscal transparency and reporting through the preparation and approval of a FAP.</li> <li>• Improved fiscal governance through the preparation and enactment into law of a modern PFM bill.</li> <li>• Improved management of public debt and guarantees through the drafting and approval into law of a Public Debt Management bill and progress in setting up the institutional framework, including the establishment and staffing of a debt management unit.</li> <li>• A strengthened procurement system through the drafting and approval of public procurement legislation.</li> <li>• Improved institutional coordination of the actions of DRM agencies through the enactment of a Disaster Resilience Act (DRA) as well the establishment, staffing, and resourcing of the Ministry of Disaster Preparedness, Management and Reconstruction to promote coordination across Disaster Response Management (DRM) agencies.</li> <li>• A strengthened legislative environment for disaster recovery through the enactment of the Disaster</li> </ul>

Prior Actions for ESR PBL1 Approval	Prior Actions for ESR PBL2 Approval	Results at the End of the ESR PBL Series
	<ul style="list-style-type: none"> <li>• Grant tax relief (a combination of VAT and Business License tax credit and tax deferral) to provide operational liquidity support for small business and encourage continued employment.</li> <li>• Increase social spending to provide unemployment and social assistance to unemployed workers and poor households in response to the COVID-19 pandemic.</li> </ul>	<p>Preparedness and Response (Amendments) Act.</p> <ul style="list-style-type: none"> <li>• Improved technical capacity and service delivery at the National Emergency Management Agency (NEMA) through its restructuring and the establishment of a plan of action for institutional reforms towards improving its responsiveness.</li> <li>• Improved DRM planning through the preparation and approval by the Cabinet of a CDRMP to contribute to improving DRM planning.</li> <li>• Improved scientific measurement and risk identification through the approval of disaster risk profile and mapping projects targeted at improving scientific measurement and risk identification of natural hazards.</li> <li>• Improved coastal management practices through Cabinet approval of the Year 2 Climate-Resilient Coastal Management and Infrastructure Program (CRCIMP), AOP which outlined improvements to coastal protection and institutional capacity for coastal management.</li> <li>• Improved DRM practices through Cabinet approval of the Disaster Risk Profile to help improve DRM planning and evidence-based decision making.</li> <li>• Improved access to finance for low impact natural disasters through the preparation and enactment of a Disaster Relief and Resilience Fund (DRRF) bill.</li> <li>• Improved access to finance for high impact natural disasters through the approval by Parliament of the establishment of the Contingent Credit Facility to improve access to financing for high impact disasters and</li> </ul>

Prior Actions for ESR PBL1 Approval	Prior Actions for ESR PBL2 Approval	Results at the End of the ESR PBL Series
		<p>financial resilience to natural disasters.</p> <ul style="list-style-type: none"> <li>• Improved insurance coverage for high impact natural disasters through the improvement of insurance coverage for high impact natural disasters with the renewal of the CCRIF SPC Insurance coverage for FY 2019/20, and a review of the coverage for FY 2020/21.</li> <li>• Increased access to immediate financial resources for post recovery needs through the renewal of the CCRIF SPC Insurance coverage for FY 2019/20 to secure access to immediate financial resources for post recovery needs and the completion of a review of the coverage for FY 2020/21.</li> <li>• Improved access to immediate assistance (social protection) to sustain/protect enterprises and livelihoods, preserve jobs, and support income especially for vulnerable groups and smaller businesses by spending 1% of GDP on COVID-19-related expenditure in 2020.</li> <li>• Increased allocation of resources for COVID-19 health response to better prepare the health system to respond to the ongoing crisis by allocating/spending at least 1% of GDP on the COVID-19 health response in 2020.</li> <li>• Improved liquidity to sustain small businesses in the short term through the provision of at least 1% of GDP in 2020.</li> <li>• Increased access to temporary financial assistance for unemployed and poor households due to disruptions caused by COVID-19 by making available at least 1% of GDP in 2020.</li> </ul>