

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**COMMONWEALTH OF THE BAHAMAS**

**GOVERNMENT DIGITAL TRANSFORMATION TO STRENGTHEN  
COMPETITIVENESS**

**(BH-L1045)**

**LOAN PROPOSAL**

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## ELECTRONIC LINKS

### REQUIRED

1. [Pluriannual Execution Plan \(PEP\)](#)
2. [Monitoring and Evaluation \(M&E\) Arrangements](#)
3. [Procurement Plan \(PP\)](#)

### OPTIONAL

1. [Economic Analysis](#)
2. [Detailed Budget](#)
3. [Institutional Capacity Evaluation and Financial Analysis of the Department of Information Technology \(DIT\)](#)
4. [World Economic Forum, \(2017\). The Global Competitiveness Report](#)
5. [The Relationship between E-Government and National Competitiveness: The Moderating Influence of Environmental Factors](#)
6. [IDB. OAS. Cybersecurity Report 2016: Are we ready in Latin America and the Caribbean?](#)
7. [Predictive Analytics: Driving Improvements Using Data. Stephen Goldsmith et al.](#)
8. [OECD, \(2017\). Digital Government in Chile: Strengthening institutional and governance frameworks](#)
9. [Bahamas Government Procedure for Registering Property/Land](#)
10. [Bahamas Government Procedure for Starting a Business](#)
11. [Table Presenting a Comprehensive View of Problems, Activities and Beneficiaries](#)
12. [Project Operating Manual \(POM\)](#)
13. [Safeguard Policy Filter \(SPF\) and Safeguard Screening Form \(SSF\)](#)

**ABBREVIATIONS**

AFS	Audited Financial Statements
AOP	Annual Operating Plan
BCCEC	Bahamas Chamber of Commerce and Employers' Confederation
BPM	Business Process Manager
CERT	Computer Emergency Response Team
CIO	Chief Information Officer
CM	Change Management
DBR	Doing Business Report
DIT	Department of Information Technology
DIR	Department of Inland Revenue
ICT	Information and Communication Technologies
IDB	Inter-American Development Bank
IRR	Internal Rate of Return
IT	Information Technology
EA	Executing Agency
FOIA	Freedom of Information Act
FM	Financial Management
GDP	Gross Domestic Product
GIC	Government ICT Committee
MOF	Ministry of Finance
M&E	Monitoring and Evaluation
NDPV	National Development Plan Vision 2040
NIB	National Insurance Board
OAG	Office of the Auditor General
OC	Ordinary Capital
OECD	Organisation for Economic Co-operation and Development
PEP	Pluriannual Execution Plan
PEU	Project Execution Unit
POM	Project Operating Manual
PP	Procurement Plan
PSC	Project Steering Committee
PWG	Project Working Group
RM	Results Matrix
TC	Technical Cooperation
UN	United Nations
WEF	World Economic Forum

**PROJECT SUMMARY**  
**COMMONWEALTH OF THE BAHAMAS**  
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Financial Terms and Conditions				
<b>Borrower:</b> Commonwealth of The Bahamas			<b>Flexible Financing Facility<sup>(a)</sup></b>	
			<b>Amortization Period:</b>	24 Years
<b>Executing Agency (EA):</b> Ministry of Finance (MOF)			<b>Disbursement Period:</b>	6 Years
			<b>Grace Period:</b>	6.5 Years <sup>(b)</sup>
<b>Source</b>	<b>Amount (US\$)</b>	<b>%</b>	<b>Interest rate:</b>	LIBOR Based
<b>IDB (Ordinary Capital):</b>	30,000,000	100	<b>Credit Fee:</b>	<sup>(c)</sup>
			<b>Inspection and supervision fee:</b>	<sup>(c)</sup>
<b>Total:</b>	30,000,000	100	<b>Weighted Average Life (WAL):</b>	15.25 Years
			<b>Currency of Approval:</b>	Dollars of the United States of America
Project at a Glance				
<b>Project Objective/Description:</b> The general objective of this project is to foster the competitiveness of the Commonwealth of The Bahamas by reducing the costs of conducting business with the government. The specific objectives are: (i) streamlining government procedures and making them available online to reduce the cost of government bureaucracy; (ii) increasing the use of Information and Communication Technologies (ICT) in the public sector; and (iii) increasing transparency of government activities and strengthening auditing and control mechanisms.				
<b>Special disbursement:</b> Upon fulfillment of the general conditions precedent to the first disbursement, contained in Article 4.01 of the General Conditions of the Loan Contract, a special disbursement of up to US\$200,000 may be made to allow the EA to hire the core team of the Project Execution Unit (PEU) (¶3.7).				
<b>Special Contractual Clauses prior to the first disbursement of the financing:</b> The borrower, directly or through the EA, shall have presented evidence to the Bank that: (i) the Project Operating Manual (POM) has been approved and entered into effect, according to the terms and conditions previously agreed with the Bank; and (ii) a PEU has been created and selected: a Project Coordinator, Procurement Specialist, Financial Specialist, Monitoring and Evaluation (M&E) Specialist, Lawyer, ICT Specialist, and Change Management Specialist, in accordance with the terms of reference previously agreed with the Bank (¶3.8).				
<b>Exceptions to Bank Policies:</b> None.				
Strategic Alignment				
<b>Challenges<sup>(d)</sup>:</b>	SI <input type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>	
<b>Cross-Cutting Themes<sup>(e)</sup>:</b>	GD <input checked="" type="checkbox"/>	CC <input type="checkbox"/>	IC <input checked="" type="checkbox"/>	

<sup>(a)</sup> Under the Flexible Financing Facility (FN-655-1), the borrower has the option to request modifications to the amortization schedule as well as currency and interest rate conversions. In considering such requests, the Bank will take into account operational and risk management considerations.

<sup>(b)</sup> Under the flexible repayment options of the Flexible Financing Facility (FFF), changes in the grace period are possible as long as the Original Weighted Average Life (WAL) and the last payment date, as documented in the loan agreement, are not exceeded.

<sup>(c)</sup> The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors during its review of the Bank's lending charges, in accordance with the relevant policies.

<sup>(d)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(e)</sup> GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, Problem Addressed, Justification

- 1.1 **Background.** The Bahamas has gone through an extended period of flat economic growth averaging 0.5%<sup>1</sup> for the past 10 years. The economy maintains its dependency on tourism, which accounts directly or indirectly for 46.1% of the Gross Domestic Product (GDP),<sup>2</sup> and financial services, which contributes to 15% to the GDP.<sup>3</sup> The country's limited competitiveness<sup>4</sup> has held up efforts to promote economic growth by attracting foreign investment and facilitating local entrepreneurship. The Bahamas occupied the position 119 out of 190 countries in the [2018 Doing Business Report \(DBR\)](#) due to the difficulties to conduct business activities in the country. Key procedures to do business, such as registering a company<sup>5</sup> or a property require numerous steps and long waiting periods which increase the costs<sup>6</sup> for local entrepreneurs and potential foreign investors alike.<sup>7</sup>
- 1.2 Research shows that a country's competitiveness depends greatly on its ability to limit the burden of dealing with the public administration. As the Organisation for Economic Co-operation and Development (OECD) indicates in one of its policy briefs, red tape is a cost for companies<sup>8</sup> and citizens not just in time and money but also in "terms of reduced productivity and innovation in business".<sup>9</sup> Registering a company in The Bahamas is four times costlier than in OECD countries. Government bureaucracy affects competitiveness by adding an extra cost to the regular cost of operating a business<sup>10</sup> and puts a financial burden on low income families that must spend time and money in transportation and waiting lines thereby losing the income related to the time required to deal with the administrative bureaucracy.<sup>11</sup> Time-consuming government procedures are also a deterrent for entrepreneurial activity,<sup>12</sup> since entrepreneurs need to operate with

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<sup>1</sup> The Bahamas Country Development Challenges. IDB, September 2017.

<sup>2</sup> According to 2015 World Travel and Tourism Council, The Bahamas is the 10th ranked most tourism dependent economy in the world. The dependency is also shown by the 51.6% of total employment and 61.5% of total exports in the country derived from tourism.

<sup>3</sup> [The Bahamas, The Economy Profile 2018.](#)

<sup>4</sup> "Competitiveness is the set of institutions, policies, and factors that determine the level of productivity of a country". [The Global Competitiveness Report 2012-13. Pag. 4.](#)

<sup>5</sup> Seven procedures are required to set up a company in The Bahamas according to the DBR. The average in the OECD is 4.9 procedures and in New Zealand just 1 procedure is required.

<sup>6</sup> While registering a company costs 3.1% of the income per capita in OECD countries, in The Bahamas this cost reaches 13.8%. Measured in terms of men days, it takes 21.5 days in The Bahamas and 8.5 days in OECD countries. [Doing Business 2018, World Bank Group information for The Bahamas.](#)

<sup>7</sup> National Development Plan, Vision 2040, "high costs of doing business inhibit private sector growth".

<sup>8</sup> Red Tape and Delayed Entry. Antonio Ciccone and Elias Papaioannou. Journal of the European Economic Association April–May 2007.

<sup>9</sup> [OECD, January 2007. Policy Brief.](#)

<sup>10</sup> The Global Competitiveness Report 2009-10. Chapter 1.2 "Moving to a New Global Competitiveness Index". Michael Porter et al. World Economic Forum (WEF). Geneva, 2010.

<sup>11</sup> A study conducted by the IDB in Bolivia (2016) based on the Standard Cost Model methodology used by the European Union concluded that registering a property costed on average 7 basic monthly salaries. "Measuring Administrative Burden in Bolivia: Results and proposals for simplification". Gustavo Medeiros et al. January 2016 (in Spanish).

<sup>12</sup> Ibidem, footnote 8.

agility in their early stages to quickly generate revenue with their limited initial capital.

- 1.3 The relationship between competitiveness, on one hand, and transparency and anticorruption, on the other, is well established in both the literature and the policy practice. The described red tape and bureaucracy not only negatively affect competitiveness but also increase the opportunities for corruption. In the classic principal-agent theory of corruption each step in an administrative process opens spaces for corruption.<sup>13</sup> Both OECD<sup>14</sup> and the WEF<sup>15</sup> mention lack of transparency as a government policy element that decreases the competitiveness of a country to develop economic activity. Low levels of transparency diminish trust in government and democratic governance while countries with active access to information and open data policies have seen their competitiveness fostered.<sup>16</sup> One of the key instruments to decrease corruption and promote integrity is the implementation of effective oversight and control mechanisms.<sup>17</sup>
- 1.4 An online survey<sup>18</sup> conducted by the Bahamas Chamber of Commerce and Employers' Confederation (BCCEC) in collaboration with the IDB and in coordination with the Ministry of Finance (MOF) shows that 79.10% of the respondents think "inefficient government bureaucracy" is the most problematic factor, "poor work ethic in national labor force" with 57.93% is the second, and "corruption" with 55.47% of the responses, is the third. When asked about the last transaction conducted with the government only 33% said they managed the transaction completely online. When asked about how many documents they had to submit for this transaction, 38.16% said five or more documents. 67% said that they had to interact three or more times with the government before completing the transaction. Finally, 30.26% of the respondents said they had to spend eight hours or more to complete the transaction. In addition, 65.47% have used personal contacts to expedite the processing of a government transaction.
- 1.5 The relationship between efficiency in government and competitiveness was well analyzed by Paul Muggeridge in 2015.<sup>19</sup> The effect of Information and Communication Technologies (ICT) in improving the efficiency of government and,

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<sup>13</sup> See for example. [Klitgard's, 1991. "Controlling Corruption"](#).

<sup>14</sup> [OECD, 2015. "Curbing Corruption, Investing in Growth"](#). Background Document, 3<sup>rd</sup> OECD Integrity Forum, Paris, 2015, p. 19. As the OECD stated, "Corruption has been identified as one of the most problematic factors for doing business in several OECD countries and it stays a major constraint dominating the investment climate".

<sup>15</sup> [WEF, 2017. The Global Competitiveness Report](#) p.29. "As we look back at a decade of competitiveness and monitoring in the region, we see that many of the fundamentals of competitiveness and growth have worsened in Latin America and the Caribbean. Basic requirements such as institutions have deteriorated, with (...) corruption scandals throughout the region, as shown in Figure 6. Trust in government and a crisis in governance continue to represent significant challenges for a region in need of effective public-private collaboration".

<sup>16</sup> ["Effect of Government Data Openness on a Knowledge-Based Economy"](#). This study finds that government data openness positively affects competitiveness, by boosting the knowledge base of a country.

<sup>17</sup> [OECD, 2016. "Preventing corruption in public procurement"](#).

<sup>18</sup> [The survey was conducted between March 14 and April 2, 2018](#), among the members of the BCCEC.

<sup>19</sup> [WEF, 2015. Which countries have the most and least efficient governments?](#)

therefore, increasing competitiveness was studied by Srivastava and Teo (2008),<sup>20</sup> concluding that there is a strong relationship between e-government and national competitiveness. Furthermore, an IDB study<sup>21</sup> found a high and positive correlation between e-government and competitiveness. For the past 10 years, out of the top 30 countries in the Global Competitiveness Index, 70% are also top 30 in the e-government index of the United Nations (UN). Although many other factors affect a country's competitiveness, it is hard to imagine that a nation can offer a competitive environment without taking advantage of the potential efficiencies offered by ICT.

- 1.6 **Problem addressed.** The general problem identified by this project in The Bahamas is the limited competitiveness of its economy. Several specific problems constrain the competitiveness of The Bahamas,<sup>22</sup> among them: (i) a weak infrastructure network; (ii) structural problems within the labor market; (iii) high energy costs; (iv) inadequate air and maritime connectivity; (v) water and sanitation matters; (vi) poor access to credit and high financing costs; (vii) rising crime; (viii) vulnerability to negative climate change impacts and natural disasters; (ix) low fiscal space and increasing debt; and (x) the inefficiency of government bureaucracy and low levels of transparency. This operation will focus on the last one.
- 1.7 The specific problems associated with the general problem and addressed in this project are:
- a. **Inefficient government bureaucracy.** The key determinants identified in this area are: (i) public administration, both for internal processes and for its relationship with citizens and businesses,<sup>23</sup> operates based on complex procedures<sup>24</sup> and relies heavily on paper;<sup>25</sup> (ii) low number of government procedures available online;<sup>26</sup> (iii) the operational culture across government

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<sup>20</sup> [The Relationship between E-Government and National Competitiveness: The Moderating Influence of Environmental Factors](#). Shirish C. Srivastava, HEC School of Management, Paris and Thompson S.H. Teo, National University of Singapore.

<sup>21</sup> [IDB analysis of UN e-government ranking and WEF Global Competitiveness Ranking](#). IDB, 2015.

<sup>22</sup> Ibidem, footnote 1.

<sup>23</sup> As shown in the procedures mapping conducted by the IDB, two key procedures for the appropriate functioning of The Bahamas economy such as "[setting up a business](#)" and "[registering a property](#)" require numerous steps and documents.

<sup>24</sup> Hiring a new government employee requires seven procedures with different government agencies. To open an email account for a government employee, three memos need to be physically exchanged among government agencies.

<sup>25</sup> According to the DBR, after a company gets registered, in order to obtain the business license, the company must submit the following documents to the Department of Inland Revenue (DIR): (i) a proof of citizenship of the beneficial owners of the company; (ii) a copy of the certificate of incorporation of the company; (iii) a copy of the certificate of registration from the National Insurance Board (NIB); (iv) a copy of the lease for the property; (v) a copy of the certificate of sanitation from the Department of Environmental Health Services, depending on the nature of the business operations, a certificate of sanitation may or may not be required; and (vi) the licensing fee of BSD100. Ease of Doing Business 2018. The Bahamas. Pag. 10.

<sup>26</sup> Although the country has [84% internet penetration rate](#), out of 366 government procedures managed by the government only 11 can be completed online. Wait no more: Red Tape and Digital Government in Latin America and the Caribbean. Ben Roseth et al. To be published by the IDB in June 2018.



agencies follows the “silo” model where information is not shared;<sup>27</sup> and (iv) data is incomplete, outdated and not integrated<sup>28</sup> which limits its use to support management and policy decisions.<sup>29</sup>

- b. **Limited adoption of a digital agenda.** The key determinants identified in this area are: (i) weak institutional structure to properly manage ICT<sup>30</sup> which negatively affects coordination and procurement related to ICT; (ii) limited availability of ICT professionals across the public administration;<sup>31</sup> (iii) government human resources are inadequately trained<sup>32</sup> to operate in a citizen-centered public sector and feel demoralized due to their lack of involvement in the decision making processes;<sup>33</sup> (iv) inexistence of a mechanism to facilitate the exchange of information among the different government agencies<sup>34</sup>; and (v) unprotected digital space with undefined institutional structure and cybersecurity policies.<sup>35</sup>
- c. **Limited transparency and accountability in government.** The key determinants identified in this area are: (i) data available to the public about the government’s activities is very limited and difficult to use,<sup>36</sup> and transparency of construction permits and procurement processes is assessed as particularly low;<sup>37</sup> (ii) the Freedom of Information Act (FOIA), although enacted in 2017 has not been rolled out which limits the capacity of the

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<sup>27</sup> The silo culture where information is not shared is clearly illustrated by the previous note where the DIR requests documents issued by different branches of government.

<sup>28</sup> Out of 18 Ministries just 4 have point-to-point interoperability that allows them to exchange information digitally. No centralized exchange mechanism is available

<sup>29</sup> The National Development Plan Vision 2040 (NDPV), under Project Challenges and Risks indicates “Data collection: poor or non-existent data collection and management by some agencies”.

<sup>30</sup> Although a Cabinet Memorandum on e-Government was approved on July 2011, its implementation has been very limited. There is no government branch with the legal mandate to design and implement an e-government plan, and no e-government plan to guide the country’s efforts in this area. The only instance created to coordinate ICT efforts across government, the Government ICT Committee (GIC), has never met.

<sup>31</sup> “The Department of Information Technology (DIT) of the MOF, which provides IT Services across government and runs one of the government data centers has only 68 people. Several of them don’t have sufficient knowledge for the issues they need to handle. The department has lots of projects on the waiting list for lack of resources”. Findings of the team mission conducted on November 20, 2017. The department of IT in the Registrar General’s Department has one professional full time and one part-time. This office is responsible for the Business and Property Registries among other tasks. According to the NDPV, out of 17,353 employees in the public service just 73 are classified as Information Technology (IT) professionals.

<sup>32</sup> The Ministry of Public Service, responsible for the management of the government Human Resources, has an annual budget for training of US\$150,000 to serve close to 20,000 employees which allows it to provide training to about 200 employees per year (1% of the number of employees).

<sup>33</sup> The NDPV, “Overall public sector capacity is very weak: morale, pay, accountability, skills and budgets for training are all low”.

<sup>34</sup> A recent survey conducted by the IDB among Latin America and the Caribbean (LAC) governments shows that The Bahamas has no interoperability scheme. Procedures 2.0: Simplifying the State in the Digital Era. Ben Roseth et al. To be published by the IDB in June 2018.

<sup>35</sup> At the [Cybersecurity Report 2016: Are we ready in LAC?](#) published by the IDB and the Organization of American States (OAS), The Bahamas doesn’t reach a third of the level of maturity. Among other things, the report mentions the lack of a cybersecurity strategy, the inexistence of a Computer Emergency Response Team (CERT) and the lack of cyber-forensics in The Royal Bahamas Police Force.

<sup>36</sup> The Bahamas performs relatively low among countries assessed under the Open Data Index, being ranked 74th out of 94 included in the survey. See the [Open Data Index](#), the Bahamas was assigned just 17% of the potential maximum score.

<sup>37</sup> [U.S. State Department’s Office of Investment Affairs](#).

population to exercise the right to access information on government records and activities;<sup>38</sup> and (iii) capacity of institutions responsible for overseeing government financial activities and fighting corruption is weakened by limited human resources with adequate training and low access to modern technologies to support its functioning.<sup>39</sup>

- 1.8 **Justification.** Promoting the use of ICT in the public sector will both decrease the cost of interacting with the government for citizens and businesses, as well as increase the transparency in the functioning of government. The project will have an impact on how the country ranks in competitiveness related to other countries. Although the position of The Bahamas in those international rankings will depend not just on its own performance but also on the performance of the other countries, arguably a country where red tape does not put an extra cost and there is a culture of transparency in government based on the use of ICT<sup>40</sup> will be more attractive to potential investors.<sup>41</sup>
- 1.9 Governments today are finding in the ICT a powerful tool on the challenging mission of serving an increasingly demanding population with limited resources. When the required conditions of digitization are met, latest trends such as blockchain present a unique opportunity for a country such as The Bahamas to modernize its property registration system by adding an extra layer of security therefore improving trust in the system.<sup>42</sup> It can also contribute to generate significant savings for the country, as indicated in the cases of Georgia and Sweden.<sup>43</sup>
- 1.10 Availability and quality of data has been a concern for the government and a limitation to take policy and management decisions as stated in the NDPV. Data has become the center of policy decisions and a growing economic activity is being built around it. For the government, the possibility of counting on digital, reliable, timely, accurate, updated and integrated data opens endless possibilities to design policy and manage initiatives based on data. Equally important, it allows the government of The Bahamas to apply artificial intelligence techniques to that data and use predictive analytics<sup>44</sup> to anticipate citizens' needs or to better allocate resources in security, health and inspection tasks.

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<sup>38</sup> Meeting with the Attorney General on March 8, 2018 and ["Organisations call for the implementation of freedom of Information Act in Full"](#). Tribune 242, The Bahamas.

<sup>39</sup> The Office of the Auditor General (OAG) doesn't have a tool to see integrated all information related to an inspection process and its reports are produced in paper. It currently uses the IDEA system that is not integrating information and allowing the use of business intelligence tools.

<sup>40</sup> Bertot J.C., Jaeger P.T. and Grimes J. M. (2010). "Using ICTs to create a culture of Transparency: E-Government and Social Media as Openness and Social Media Tools for Societies". Government Information Quarterly 27: 264-71. For a case study, see Pathak, R. D., Naz, R., Rahman, M. H., Smith, R. F. I., & Agarwai, K. N. (2009). E-governance to cut corruption in public service delivery: A case study of Fiji. International Journal of Public Administration, 32, 415-437.

<sup>41</sup> Ciccone (2007), shows that red tape affects negatively entrepreneurial activity and investment. OECD's 2015 report on the Integrity Forum shows how corruption impacts investment negatively. DBR shows how ICT are effective to eliminate red tape and lower corruption.

<sup>42</sup> [Can blockchain help in the fight against corruption?](#) Santiso, Carlos. WEF. 2018.

<sup>43</sup> [Blockchain, Marcos Allende, IDB](#), March 2018. US\$106 million per year in savings in Sweden.

<sup>44</sup> ["Predictive Analytics: Driving Improvements Using Data"](#). Stephen Goldsmith et al. Innovations in Public Service Delivery, Issue 4. IDB, July 2016.

- 1.11 **Bank experience and lessons learned.** This project will take advantage of the experience developed by the Bank in other projects focused on modernizing the public sector, strengthening government institutions and introducing digital government tools. Among them we highlight the following: Public Sector Efficiency Program (3121/OC-JA, 3122/CH-JA), Support to the Public Sector Transformation Programme (4373/OC-JA), and the Implementation of the National Identification System (NIDS) for Economic Growth (4437/OC-JA) in Jamaica; Project to Improve and Expand Support Services for National Service Delivery to Citizens and Enterprises (4399/OC-PE) in Perú; Programs to Support Electronic Government in Uruguay I and II (1970/OC-UR and 2591/OC-UR) and Program for Improvement of Public Services and State-Citizen Interaction in Uruguay (3625/OC-UR); Improvement Program Governance and Citizen Services (3298/OC-CH) in Chile and Panama Online Program (3683/OC-PN). Likewise, the project will rely on the experience of previous programs developed in the area of transparency, anti-corruption and anti-money laundering, including: Chile's Integrity and Transparency Agenda Support Program (3617/OC-CH), and Tax Management and Transparency Program in Guatemala (3786/OC-GU).
- 1.12 The implementation of the above-mentioned projects and other initiatives related to digital transformation allowed the Bank to learn valuable lessons, among them: (i) digital transformation in public administration requires a well-defined governance structure that engages all relevant stakeholders and assigns specific roles to each one of them; (ii) although internet penetration in Latin America and the Caribbean is growing, about a quarter of the population in the region has never used the internet so there is a need to invest in the digital literacy of citizens and small entrepreneurs to assure that online services can be used by every citizen; (iii) making government services available online doesn't guarantee that people will use them - there is a need to promote their availability in order to make the population aware; (iv) procuring ICT products and services is complex due to their changing nature and the technical standards and requirements which demand high quality technical support throughout the procurement process; (v) rigorous and well-tested methodologies are necessary in order to develop user-centered and problem-solving digital products; and (vi) although digital transformation projects are technology oriented, they are led, developed and for the benefit of humans, therefore, it is of great importance to manage the cultural change with a well-planned strategy.
- 1.13 **Technical Cooperation to support this project.** The planning and implementation of this operation is supported by several Technical Cooperations (TC) including: (i) Improving Human Resources Capacity in Cybersecurity (ATN/CF-15598-RG) which is providing technical advice on diagnosis and recommendations; (ii) Innovations to Improve Transparency and Efficiency of Public Investment Systems II (RG-T3219) will support the implementation of Phase I of InvestmentsMap for The Bahamas; and (iii) Improving Public Service Delivery through Knowledge-sharing (ATN/KR-15780-RG) provides technical support on paperless project design and implementation. This project will also coordinate its activities with operation Public Financial Management (FM) and Performance Monitoring Report (3340/OC-BH).

- 1.14 **Country alignment.** The project is aligned with the IDB Group Country Strategy with the Commonwealth of The Bahamas 2018-2022 (GN-2920-1) by supporting the following strategic objectives: 1.2 to strengthen institutional capacity for digital government; 1.3 to strengthen the framework for integrity and transparency in the public sector; and 3.3 to rationalize government regulations that hinder business registration, operation, and dispute resolution. The project is included in the 2018 Operational Program Report (GN-2915).
- 1.15 **Strategic Alignment.** This project is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is aligned with the development challenge of productivity and innovation,<sup>45</sup> as well as with the cross-cutting themes of: (i) gender equality and diversity;<sup>46</sup> and (ii) institutional capacity and rule of law.<sup>47</sup> By reducing the time and costs required to conduct government transactions, the project will improve the productivity of all economic agents in the country and will facilitate the creation of new companies. On gender equality, the project will prioritize women in all digital literacy activities. Regarding institutional capacity and the rule of law, the project will strengthen the institutional capacity of the government to undertake digital government initiatives and provide technical support to update the digital legislative framework. The project will also contribute to the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) output indicator of government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery.<sup>48</sup> The project is aligned with the Sector Strategy Institutions for Growth and Social Welfare (GN-2587-2) as well.

## **B. Objective, Components and Cost**

- 1.16 The general objective of this project is to foster the competitiveness of the Commonwealth of The Bahamas by reducing the costs of conducting business with the government. The specific objectives are: (i) streamlining government procedures and making them available online to reduce the cost of government bureaucracy; (ii) increasing the use of ICT in the public sector; and (iii) increasing transparency of government activities and strengthening auditing and control mechanisms.
- 1.17 **Component 1. Simplifying and digitizing government procedures (US\$13,800,000).** The main objective of this component is to streamline government procedures and make them available online. This component will finance the following activities: (i) updating the catalogue of government

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<sup>45</sup> Outcome indicator “number of hours business people spend doing government procedures per year”, is aligned with the productivity and innovation development challenge.

<sup>46</sup> The project output indicator “women prioritized in the digital literacy activities” is aligned with the gender equality and diversity topic.

<sup>47</sup> Output indicators that contribute to this theme: “number of draft legislative documents produced”, “number of government Chief Information Officer (CIO)”, “number of training activities”, “number of change management activities undertaken”.

<sup>48</sup> The following project output indicators are aligned with this indicator: (i) Government Institutions connected to the interoperability platform; (ii) Government ICT professionals trained; (iii) Cybersecurity strategy designed and implemented; and (iv) Government CIO office in operation.

procedures, prioritizing<sup>49</sup> and simplifying them including reengineering current procedures, eliminating unnecessary ones and putting them in a Business Process Manager (BPM); (ii) updating the legal framework<sup>50</sup> related to the provision of digital services including the drafting of new legislation; (iii) designing and implementing a government cloud computing service that will allow other government agencies to access a shared e-government infrastructure and applications; (iv) setting up an interoperability scheme including standards, regulation and technological platform; (v) updating the citizen portal and putting online government procedures,<sup>51</sup> implementing the key tools for the provision of government digital services -digital identity, digital signature, online payment, BPM, document management;<sup>52</sup> (vi) digitizing government procedures related to property registration;<sup>53</sup> (vii) computerizing government procedures related to setting-up a business;<sup>54</sup> and (viii) adapting the NIB database to provide digital citizen identification for government procedures.<sup>55</sup>

- 1.18 **Component 2. Strengthening institutional capacity for a digital government (US\$9,900,000).** The main objective of this component is to increase the use of ICT in the public sector. This component will finance the following activities: (i) designing and implementing an institutional framework to manage digital

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<sup>49</sup> Government procedures included in the DBR have already been prioritized by the government (starting a business and property registration). Other procedures to be simplified and placed online (200 out of the 400 that will be placed on a BPM) will be prioritized in consultation with citizens. Within families, usually women take more responsibility to undertake government procedures required to exercise rights, comply with obligations or access to benefits. In order to save women time wasted dealing with government bureaucracy, in the selection of government procedures to be simplified, those more frequently used by women will be prioritized.

<sup>50</sup> The most relevant current legislation related to digital government is: Electronic Communications and Transactions Act (2006), Computer Misuse Act (2006) and Data Protection Act (2008). This current legal framework allows the implementation of the activities proposed in this project, however as the execution progresses it will be recommended to update the legislation to put the citizen at the center of digital government and to create a more secure cyberspace. It is anticipated that a Digital Government Act, a Cybersecurity Act and an Updated Data Protection Act will be drafted during the implementation of this project.

<sup>51</sup> This process will be done through a multi-channel mechanism that includes access via counter, phone, website and mobile platforms.

<sup>52</sup> In addition to its impact on the reduction of costs for companies and citizens of conducting business with government, the project will have a positive impact on the environment by reducing the amount of paper necessary to complete a government transaction and decreasing CO<sup>2</sup> emissions by eliminating traffic related to the compliance with the bureaucratic requirements. Details provided in the Key Results Indicator chapter.

<sup>53</sup> This activity includes: reviewing and improving the institutional framework, regulation and procedures related to property registration and conveyancing (including digitization of documents and geographic information systems, cadaster, interoperability among registries, an a blockchain pilot project).

<sup>54</sup> This activity includes: implementing one-stop-shop for business, a multichannel strategy (that will allow agile access both online and offline) and customer relationship management (that will allow the tracking of the different steps in the procedure).

<sup>55</sup> NIB has a digital database with 70% of the population registered (all those above 16 years old and most from zero to three years old). NIB is already providing digital access to its database to the National Health Insurance (NHI) for identification purposes. The country is currently using the NIB card as a means to identify people doing government procedures. This project has not been designed to generate a new identification mechanism but rather to use the current one more efficiently by allowing government institutions that need to identify people undertaking government procedures to do so online through the interoperability platform.

government;<sup>56</sup> (ii) setting up the CIO role and professionalizing ICT in the public sector including the training plans; (iii) updating the government ICT blueprint (including a roadmap and action plan for ICT transformation in the government);<sup>57</sup> (iv) setting up an ICT fund to support ICT-based strategic innovations across government;<sup>58</sup> (v) implementing an ICT skills gap assessment and based on it, designing and implementing a plan to close the gap by adding new employees and training existing ones;<sup>59</sup> (vi) designing and implementing a Change Management (CM) plan;<sup>60</sup> (vii) undertaking a digital literacy program for citizens and small businesses not familiarized with most used digital tools;<sup>61</sup> (viii) implementing a communications strategy to create citizens and businesses awareness;<sup>62</sup> (ix) setting up a data culture and a data analytics office that will initially serve the whole government and will be subsequently extended to key ministries;<sup>63</sup> (x) designing and implementing a cybersecurity strategy;<sup>64</sup> and (xi) IT project management and supervision for all IT implementation projects.<sup>65</sup>

**1.19 Component 3. Enhancing transparency and integrity in government (US\$3,000,000).** The main objective of this component is to increase transparency of government activities and strengthen auditing and control mechanisms. This component will finance the following activities: (i) designing and implementing an information management platform to enhance the transparency of budget

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<sup>56</sup> On July 2011, Cabinet approved Memorandum “2<sup>nd</sup> update on e-Government implementation project and approval to establish the DIT” submitted by the Minister of Finance. This memorandum sets up, among other institutional aspects: The DIT, the government CIO, ministerial CIOs, the CIO Forum and the GIC. Out of this list, just the DIT is currently in operation.

<sup>57</sup> This blueprint will be both a planning and marketing document helping to get the buy-in of all relevant stakeholders. It will be updated periodically and foster the sustainability of the digital government in The Bahamas beyond this operation.

<sup>58</sup> The fund will support 4 projects per year that the Project Steering Committee (PSC) deems as strategic for the advancement of digital government in The Bahamas based on its innovation, its impact in citizens and businesses and its applicability to the government as a whole.

<sup>59</sup> Resources to be invested in closing the ICT gap analysis will cover part of the plan. The project includes resources for training as well as for incorporating ICT professionals deemed as necessary after the gap analysis is finalized. Three professionals will be incorporated in key institutions.

<sup>60</sup> The Change Management Plan is complemented with the hiring of a Change Management Specialist that will be part of the Project Execution Unit (PEU). As indicated in the Results Matrix (RM), the plan will include targeted annual activities focused on the institutions considered key for the success of this project (Registrar General, Attorney General Office, Auditor General Office, DIR and NIB). Other institutions will participate in government-wide activities. Change management activities will be conducted in Grand Bahama and Abaco, in addition to New Providence.

<sup>61</sup> When selecting the participants in the digital literacy activity, women will be given priority to assure at least an equal representation.

<sup>62</sup> The communication strategy will include actions for internal communication at three main levels of responsibility (policy-strategy, management and operations), as well as external communications focused on reaching out to citizens and businesses.

<sup>63</sup> This activity includes the hiring of a data analytics expert, the provision of training to on data analytics to different government branches as well as the implementation of several practical cases of the use of data to support policy implementation.

<sup>64</sup> This activity includes the following actions: (i) review the present situation of cybersecurity of The Bahamas Agencies and identify gaps and deficiencies; (ii) prepare a cybersecurity strategy based on the situation assessment; (iii) set up a CERT; (iv) strengthen the Police Cyberforensics Laboratory; (v) provide training on cybersecurity to government employees, law enforcement agents and judicial authority professionals; and (vi) design and implement a citizen sensitization campaign.

<sup>65</sup> This is a highly specialized consulting service aimed at supervising the deployment of IT projects in order to assure the compliance with quality and standards agreed upon contractually.

information and public expenditures;<sup>66</sup> (ii) providing support for the implementation of FOIA which includes: (a) developing and implementing a master plan for the roll out of the FOIA; (b) providing technical support for the set-up and operation of the Office of the Information Commissioner; (c) conducting training to information managers to enhance openness in public sector entities; and (d) enhancing inter-institutional coordination to effectively implement FOIA provisions; and (iii) strengthening the OAG by introducing cutting-edge technologies to support its functions, mainly: (a) supporting the identification and mitigation of risks; and (b) setting up a public expenditure observatory<sup>67</sup> grounded on the application of big data tools and other technological innovations.

1.20 **Evaluation, audit and contingencies.**<sup>68</sup> To the previous amounts, US\$3,300,000 should be added to cover project management, monitoring, evaluation, audit and contingencies.<sup>69</sup>

1.21 **Beneficiaries.** The beneficiaries<sup>70</sup> of this project will be the Government of The Bahamas, that will improve its efficiency and transparency, as well as the country's citizens and business people that will experience a lower cost of conducting government procedures, thereby increasing the overall competitiveness of the country.

### C. Key Results Indicators

1.22 The main impact of this project will be: time spent by businesses people completing government procedures reduced. The following outcomes will contribute to the expected impact: (i) percentage of people using government online services increased; and (ii) information shared by government institutions increased.

1.23 **Economic analysis.** The project is expected to generate savings for citizens, businesses and government in five ways: (i) use of online services, in general, of services not currently online and increased use of the online option for services currently available online; (ii) elimination of required transactions; (iii) reduced government expenditure on staff to attend in-person service requests; (iv) reduced government expenditure on staff to conduct data exchange among government

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<sup>66</sup> The main feature of the platform will be a georeferenced data visualization tool that will allow citizens to have a user-friendly visualization of where public money is invested. This platform will be based on the components developed and lessons learned from the transparency initiative InvestmentMap (*MapaInversiones* in Spanish). This IDB initiative aims at developing platforms to manage, analyze, and visualize public investment data in the region to improve the transparency and efficiency of public investments. Participation mechanisms are included in the platform, so that users can send their demands and contributions to the policy makers and monitor the projects, for example, by uploading pictures, answering a questionnaire, and leaving comments. For more information see [www.iadb.org/investmentmap](http://www.iadb.org/investmentmap).

<sup>67</sup> A public expenditure observatory implemented by the Government of Brazil with the support of the IDB generated savings of US\$200 million in the first year of operation. In 2013, it received the Excellence in Public Sector Innovation Award.

<sup>68</sup> This category includes an amount for contingencies to cover potential cost deviations which are common in IT-related projects.

<sup>69</sup> PEU includes a Change Management Specialist and an ICT Specialist which makes its cost slightly higher than usual.

<sup>70</sup> See [Table Presenting a Comprehensive View of Problems, Activities and Beneficiaries](#).

agencies;<sup>71</sup> and (v) reduced government expenditure on paper and ink. Three sources of information were used to elaborate projections of these expected savings: administrative data (on the availability and use of online services as well as government expenditure on different cost centers), interviews with government personnel (to quantify staff time dedicated to different tasks), and citizen surveys (to quantify time and transport burden in accessing government services). In the baseline scenario, the benefit-cost ratio for the project is 1.19, with an Internal Rate of Return (IRR) of 14.55%. For the conservative scenario, the IRR is 12.83% and the benefit-cost ratio is 1.10. This indicates that even when considering only a small subset of the government services (13 of nearly 400) and agencies (four of approximately 90) benefited, this project will generate positive returns. See [Economic Analysis](#).

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing Instruments

- 2.1 This operation will be financed through a specific investment loan for an estimated total cost of US\$30 million chargeable to the Ordinary Capital (OC) of the Bank. Given the timeline of the project, a disbursement period of six years is being proposed.

**Table 1. Project Budget (in US\$)**

Category	IDB	%
Component 1. Simplifying and digitizing government procedures	13,800,000	46
Component 2. Strengthening institutional capacity for a digital government	9,900,000	33
Component 3. Enhancing transparency and integrity in government	3,000,000	10
Evaluation, audit and contingencies	3,300,000	11
<b>TOTAL</b>	<b>30,000,000</b>	<b>100</b>

- 2.2 Given the fiscal space and other limitations that could arise and the length of the procurement processes that may affect the project, it was agreed with the Government of The Bahamas that the execution will be spanned over six years to ensure that the desired outcomes and impacts are achieved.

**Table 2. Project Disbursement Projections (in US\$)**

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
3,309,000	8,174,000	8,413,000	5,311,000	2,793,000	2,000,000	30,000,000
11.03%	27.25%	28.04%	17.70%	9.31%	6.67%	100.00%

<sup>71</sup> This project does not entail public sector retrenchment. Therefore, “reduced government expenditure on staff” as calculated under points (iii) and (iv) refers to expenditure specifically pertaining to tasks that will be made more efficient. The underlying assumption is that the staff time liberated by these efficiency gains will be redistributed to other tasks, for which the government would have otherwise needed to make an additional budgetary outlay.



**B. Environmental and Social Safeguard Risks**

2.3 According to the results of the IDB “Safeguards Policy Filter Report”, and Environment and Safeguards Compliance Policy (OP-703), this operation is classified as Category “C”, given the low impact on environmental and social issues since the project will not finance any infrastructure works.

**C. Fiduciary Risk**

2.4 As indicated in Annex III, the overall fiduciary risk of the project is medium. Through the application of the institutional capacity evaluation, the following fiduciary risks have been identified:<sup>72</sup>

**Table 3. Fiduciary Risks**

<b>Risks/Weakness</b>	<b>Action Recommended</b>	<b>Compliance By</b>
Delays in procurement due to limited experience applying IDB procurement policies and procedures. <b>Medium.</b>	<b>1. Hiring of a Procurement Specialist</b> under the PEU. The Bank will offer a progressive training plan to procurement staff in the PEU and explain acceptable bidding methods. This specialist will consolidate the overall Procurement Plan (PP). Supervision of procurement will be conducted in ex ante modality and may change to ex post later on during implementation following the Bank's guidelines for supervision of procurement activities.	Program startup date, required in loan contract.
Delays in financial reporting due to limitations in personnel applying IDB FM policies and procedures. <b>Medium.</b>  The delays in reporting relate to the inefficiencies observed in other programs in other government agencies in relation to 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 structural inefficiencies have also led to late presentation of Audited Financial Statements (AFS) in other programs as information for testing purposes is not readily available, even in those cases in which the audit has been performed by the OAG.	<b>2. Hiring of a FM Specialist</b> under the PEU. The Bank will offer progressive FM training for the PEU staff. The training will also incorporate financial planning. This specialist will consolidate all financial program information and reporting. The FM specialist is expected to set up a supplementary tracking system for project reporting and comply with internal control requirements (i.e. Quickbooks or similar).  <b>3. Selection of external auditors</b> with a multiyear contract, using an expedited Least Cost Selection process, at least 4 months in advance to the closing of the fiscal year.	Program startup date, required in loan contract.  During execution.
Delays in implementation due to lack of coordination between	<b>4. A Project Operating Manual (POM)</b> should have sufficient details of roles, responsibilities, procedures for the	

<sup>72</sup> For more detail, please see Annex III.

Risks/Weakness	Action Recommended	Compliance By
participating government agencies. <b>Medium.</b>	organization and coordination arrangements for execution of the program.	Program startup date, required in loan contract.
Delays in implementation due to low capacity for planning and monitoring. <b>Medium.</b>	<p><b>5. Hiring of a Monitoring and Evaluation (M&amp;E) Specialist</b> to assist in the planning, M&amp;E responsibilities of the PEU.</p> <p><b>6. A kick off workshop</b> to present and apply bank standard planning instruments is deemed necessary: Project Execution Plan, Annual Operating Plans (AOP), Progress Monitoring Report, PP, Financial Plans, Risk Management, etc.</p>	<p>Program startup date, required in loan contract.</p> <p>Continued support during execution.</p>

**D. Other Risks and Key Issues**

2.5 The following risks have been identified and deemed as high: (i) high fiscal deficit that can limit the fiscal space for the project execution; and (ii) resistance to change by government employees. Three additional risks have been deemed as medium: (i) limited experience of the DIT of the Ministry of Finance in the execution of Bank operations; (ii) lack of buy-in at the policy level by the key Ministers and Heads of government agencies; and (iii) difficulty to coordinate the different government agencies related to the project. The corresponding mitigating measures are presented below:

**Table 4. Other Risks (High/ Medium)**

Type of Risk	Risk	Risk Rating (High/Medium)	Mitigation Activities
Development	High fiscal deficit can limit the fiscal space for the project execution	High	<p>-The Minister of Finance will be frequently updated on the project progress and savings generated will be clearly identified in each report.</p> <p>-The economic impact analysis of the operation will be presented in detail to the Minister of Finance in order to make a clear business case about the positive financial impact of the project.</p>
Development	Limited experience of the DIT of the MOF in the execution of Bank operations	Medium	<p>- A PEU will be set up including a coordinator as well as experts on legislation, procurement, project monitoring and finances.</p> <p>-To further strengthen its executing capacity experts in cultural CM and ICT procurement have also been included as part of the PEU staff.</p> <p>-In addition, a monthly training session has been planned with the IDB fiduciary team for the first 12 months of implementation.</p>
Governance	Resistance to change by government employees	High	-The PEU will have an expert in cultural change management as permanent staff.

Type of Risk	Risk	Risk Rating (High/Medium)	Mitigation Activities
			<ul style="list-style-type: none"> <li>- In addition, a specific activity focused on cultural change management has been included in the operation with significant financial resources allocated.</li> </ul>
Governance	Lack of buy-in at the policy level by the key ministers and heads of government agencies.	Medium	<ul style="list-style-type: none"> <li>-The Deputy Prime Minister and Minister of Finance will present the project as a government-wide transformation effort owned by the government rather than by a specific agency.</li> <li>- A communications strategy has been planned and financial resources allocated.</li> <li>- Progress by each Ministry in digitizing government services will be monitored and reported to Cabinet.</li> <li>- A survey that analyzes the level of satisfaction of the business sector with the services received from the main ministries has been used as a baseline and will be conducted annually to monitor improvement. This will put pressure on the ministries and agencies to join the proposed modernization effort.</li> </ul>
Governance	Difficulty to coordinate the different government agencies related to the project	Medium	<ul style="list-style-type: none"> <li>-The project has defined a project governance mechanism that includes a PSC where strategic decisions will be taken. This steering committee will be comprised of: Financial Secretary, Registrar General, Attorney General, Auditor General, DIR Director and NIB Director. The Agency CIO Forum will be the instance to manage operational aspects of the project through a Project Working Group (PWG).</li> <li>- In addition, working plans will be negotiated and signed with key institutions for the successful implementation of the project.</li> </ul>

2.6 **Sustainability.** There are two elements that contribute to the sustainability of the program. From a political perspective, the transformation supported by this program is a high priority of the government's agenda, as evidenced by the close involvement of the Minister of Finance and Deputy Prime Minister. From a financial standpoint, the project is expected to produce significant savings for the government, citizens and business, that will be periodically reported to the minister thereby making a compelling case to maintain the project systems in operation.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of Implementation Arrangements

- 3.1 **Executing Agency.** The Executing Agency (EA) will be the MOF. Given its operational oversight of the functioning of government, this ministry has the capacity to coordinate and align other ministries and agencies around the goals of this project. In addition, the DIT<sup>73</sup> of the MOF has the mandate to coordinate ICT initiatives across government and provide IT services to several government branches. The MOF has accumulated experience in executing IDB financed programs through the implementation of the operation Performance Monitoring and Public FM (3340/OC-BH). The executing capacity of the EA will be strengthened with the creation of a PEU. The DIT is the body responsible for the coordination of technology-related projects since approval of Cabinet Memorandum “2<sup>nd</sup> Update on e-Government implementation project and approval to establish the DIT”.
- 3.2 The MOF will establish a PEU within the DIT, which will be responsible for the project administration, including planning, budgeting, accounting, procurement implementation and M&E. The PEU will include a: Project Coordinator; Procurement Specialist; Lawyer; Financial Specialist; and M&E Specialist. The PEU will also include an ICT Specialist and a CM Specialist. The PEU team will complement the technical capacity of the DIT and will be critical for the timely and effective implementation of the project.
- 3.3 The PEU responsibilities will include: (i) preparation of semi-annual progress reports; (ii) preparation and implementation of the AOP; (iii) preparation of budgets and disbursements; (iv) preparation of the Procurement Plan (PP); (v) financial administration of the project according to accepted accounting principles and presenting AFS; (vi) ensuring the quality and efficacy of procurement processes and their compliance with both the policies of the Bank and those of the Government of The Bahamas; (vii) ensuring the consistent alignment of expected project results with day-to-day project implementation; (viii) continuous data collection to enable the measurement of the indicators included in the RM (Annex II); (ix) coordinating the implementation of the CM plan; (x) supporting the DIT on its role as the leading institution for the design and implementation of e-government initiatives; and (xi) being project liaison with the Bank. The POM will include detailed information regarding the above-mentioned responsibilities.

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<sup>73</sup> The DIT is the biggest IT department in government and was given the responsibility of coordinating ICT activities for the whole government through Cabinet Memorandum previously mentioned. The GIC will be the body responsible for validation of strategic decisions related to this project while is the CIO Forum will be the space for operational coordination. The project will have a Steering Committee tentatively comprised of the Financial Secretary (head), the Registrar General, the Attorney General Office, the Auditor General, the Director of the DIR and the Director of the NIB. Periodic meetings with representatives from the private sector will be planned in the terms of reference of the PSC. The MOF has a continuous working relationship with all branches of government due to its budgeting and financial responsibilities. The fact that all government ICT procurement processes above certain threshold require the approval of the Public Procurement Department of the MOF provides this institution with additional coordination capacity. In addition, formal working plans will be signed between the EA and the main government institutions receiving support from the operation.

- 3.4 **Governance structure.** The project will set up a PSC<sup>74</sup> chaired by the Financial Secretary of the MOF and integrated by the following members: Registrar General, Attorney General, Auditor General, Director of the DIR and Director of the NIB. The PSC will be responsible for strategic decisions, planning, design and approval of the AOP as well as overseeing the implementation of the operation. In addition, the project will set up a PWG chaired by the Director of DIT and comprised of the IT Directors of the agencies that integrate the PSC.<sup>75</sup> The PWG will be responsible for the implementation of the plan defined by the PSC and the coordination of all operational matters related to the project. Currently, the Director of the DIT, who will chair the PWG, reports to the Financial Secretary Chair of the PSC, who will chair the PSC, which facilitates the link between the strategic and operational areas of the governance structure. The POM will include a detailed description of this relationship.
- 3.5 **Programming.** Each fiscal year, the PEU will present an AOP, the Financial Plan and the PP to the Bank for its non-objection. The Fiduciary Arrangements (Annex III) provide guidance on FM and procurement during the execution of the project. Such arrangements have been developed based on the fiduciary context of The Bahamas, the institutional analysis of the EA, and several meetings held between the project team and key personnel of the EA and participating entities.
- 3.6 **Project Operating Manual.** The POM<sup>76</sup> will establish standards and procedures for the EA with regards to programming activities, execution plan, procurement audits, fiduciary management arrangements and [M&E Arrangements](#), among others, which will govern project execution. It will also include a template of the working plan to be signed with the main institutions benefitting from this project as well as a detailed description of the governance of the project and the terms of reference that will regulate the functioning of the PSC and the PWG. Then POM guides and regulates the management of the operation which makes it necessary from the inception.
- 3.7 **Special disbursement.** Upon fulfillment of the general conditions precedent to the first disbursement, contained in Article 4.01 of the General Conditions of the Loan Contract, a special disbursement of up to US\$200,000 may be made to allow the EA to hire the core team of the PEU. As indicated in the Institutional Capacity Assessment, the PEU will be instrumental to mitigate the fiduciary risks associated to the weaknesses of the EA, hence to initiate the project implementation the PEU has to be set up.

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<sup>74</sup> The project will take advantage of the digital governance structure defined by the “2<sup>nd</sup> Update on e-Government Implementation Project and approval to establish the DIT” in 2011 but never implemented. The PSC will act as the GIC and the PWG will operate within the CIO Forum.

<sup>75</sup> The PWG will be comprised by the IT Directors of the Registrars General Department, Office of the Attorney General, OAG, DIR and NIB.

<sup>76</sup> In addition to the elements described above, the POM will include a detailed description of the tasks, commitments, responsibilities and relationships that will regulate the functioning of the PSC and PWG. The POM will also include the working plan to be signed with the Registrar Office, DIR, NIB, Office of Attorney General and OAG, specifying the collaboration activities to be performed by each one of these entities. The signing of the working plan will be a prerequisite to support any of the above-mentioned institutions and will include: activities to be undertaken, resources to be contributed, timeframe and persons responsible for the project on each institution.

- 3.8 **Special contractual conditions prior to the first disbursement of the financing.** The borrower, directly or through the EA, shall have presented evidence to the Bank that: (i) the POM has been approved and entered into effect, according to the terms and conditions previously agreed with the Bank; and (ii) a PEU has been created and selected: a Project Coordinator, Procurement Specialist, Financial Specialist, M&E Specialist, Lawyer, ICT Specialist, and CM Specialist, in accordance with the terms of reference previously agreed with the Bank. These prior conditions are essential in order to ensure: (i) the definition of the roles and responsibilities of all relevant stakeholders in order to assure the timely implementation of the project; and (ii) the strengthening of the capacity of the DIT to execute the operation. The inclusion of these conditions is expected to have a positive impact on the performance of the loan during execution.<sup>77</sup>
- 3.9 **Procurement.** The project 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), with the provisions established in the loan contract and the PP. The supervision method for procurement will be ex ante until the PEU Procurement Specialist has gained experience in observing and executing Bank policies, procedures, and use of standard bidding documents.
- 3.10 The ex post modality will depend on outcomes of supervision visits if appropriate evidence is presented to demonstrate capacity to perform under the ex post supervision modality. Supervision visits will be performed every 12 months and as indicated in the project supervision plan. When ex post review is recommended, supervision visits will be performed jointly with FM. When the procurement processes are carried out through the country system, the supervision will also be carried out through the country system.
- 3.11 **Retroactive financing.** The borrower has expressed its interest in retroactive financing. The Bank may finance retroactively under the loan up to US\$6 million (20% of the proposed loan amount), eligible expenses incurred by the borrower prior to the date of loan approval by the Bank's Board of Executive Directors to finance activities under Components 1 and 2 provided that all the requirements are substantially similar to those set out in the loan agreement requirements. These expenses must have been incurred or on after March 22<sup>nd</sup>, 2018 (Project Profile approval date), and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.
- 3.12 **Disbursement.** The PEU will maintain strict control over the utilization of the advance of funds to ensure the easy verification and reconciliation of balances between the EA and IDB's records. Eligible expenditures, authorized by the project team leader and incurred prior to the approval of this project will be reimbursed to the borrower, in accordance with current Bank's policies. The PEU will provide adequate justification of the existing advance of funds balance, whenever 80% of

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<sup>77</sup> This is based on the satisfactory execution of 3683/OC-PN; which has a similar design and included the same set of conditions.

said balance has been spent. Advances will normally cover a period not exceeding 180 days and no less than 90 days.

- 3.13 **Auditing.** The PEU will submit the following documents to the Bank: (i) annual AFS of the project, to be submitted within 120 days after the close of each fiscal year; and (ii) final AFS, to be submitted within 120 days after the last disbursement date of the project. The financial statements must be conducted by an independent external audit firm approved by the Bank.

## **B. Summary of Arrangements for Monitoring Results**

- 3.14 **Project monitoring.** It will be based on the RM, the [M&E Arrangements](#), the PP, and the Pluriannual Execution Plan. Current government data collection systems will be strengthened as part of the project to allow for data collection on all RM indicators. The PEU's M&E Specialist will be tasked with maintaining data collection and monitoring systems. The AOP for the first 18 months of the execution of the project will be submitted within 60 days after the entry into effect of the loan contract. It will include: (i) an estimated budget; (ii) an updated PP; (iii) expected indicators for the RM; (iv) planned activities; and (v) schedule of implementation. The AOPs for each of the subsequent years will be submitted for the Bank's non-objection before the 5<sup>th</sup> of December of each calendar year and will cover the activities to be carried out in the following year. Also, the PEU will submit semiannual progress reports within 60 days of the end of each semester, containing: (i) narrative description of activities, procurement processes, and implementation issues for the reported period; (ii) RM indicators update; (iii) statement of costs by component activities and RM indicators; and (iv) identification of implementation risks/events and mitigation measures.
- 3.15 **Evaluation.** The EA will hire independent consulting services to conduct the project's mid-term and final evaluations.<sup>78</sup> The project will also ensure that technical assistance to build the government's own evaluation capacity is provided, thus complementing all external evaluations. The final evaluation will provide more robust analysis on key outcomes for institutional capacity.
- 3.16 **Ex post economic analysis.** An ex post economic analysis will be conducted to verify the assumptions used in the ex ante [Economic Analysis](#). Given that the ex post economic analysis will be conducted upon project closure, and not at the end of the 20-year period over which benefits are calculated in the ex ante economic analysis, the objective of the analysis will be to verify the assumptions made for year six of the project and use the verifications to recalculate the expected benefits for the following 15-year period.

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<sup>78</sup> The mid-term and final evaluations will be carried out within 180 days upon: (i) commitment of 40% of loan resources or 30 months of project execution (whichever occurs first); and (ii) commitment of 90% of loan resources, at least.

Development Effectiveness Matrix		
Summary		
<b>I. Corporate and Country Priorities</b>		
<b>1. IDB Development Objectives</b>	Yes	
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Gender Equality and Diversity -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Public registries strengthened (#)*	
<b>2. Country Development Objectives</b>	Yes	
Country Strategy Results Matrix	GN-2920-1	1.2 to strengthen institutional capacity for digital government; 1.3 to strengthen the framework for integrity and transparency in the public sector; and 3.3 to rationalize government regulations that hinder business registration, operation, and dispute resolution.
Country Program Results Matrix	GN-2915	The intervention is included in the 2018 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
<b>II. Development Outcomes - Evaluability</b>		Evaluable
<b>3. Evidence-based Assessment &amp; Solution</b>	7.4	
3.1 Program Diagnosis	3.0	
3.2 Proposed Interventions or Solutions	1.7	
3.3 Results Matrix Quality	2.7	
<b>4. Ex ante Economic Analysis</b>	6.0	
4.1 Program has an ERR/NPV, or key outcomes identified for CEA	3.0	
4.2 Identified and Quantified Benefits and Costs	0.0	
4.3 Reasonable Assumptions	0.0	
4.4 Sensitivity Analysis	2.0	
4.5 Consistency with results matrix	1.0	
<b>5. Monitoring and Evaluation</b>	7.7	
5.1 Monitoring Mechanisms	1.8	
5.2 Evaluation Plan	6.0	
<b>III. Risks &amp; Mitigation Monitoring Matrix</b>		
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	
<b>IV. IDB's Role - Additionality</b>		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

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

The overall objective of this program is to foster the competitiveness of The Bahamas by reducing the costs of conducting business with the government. The specific objectives are (i) streamlining government procedures and making them available online to reduce the cost of government bureaucracy; (ii) increasing the use of Information and Communication Technologies (ICT) in the public sector; and (iii) increasing transparency of government activities and strengthening audit and control mechanisms by simplifying and digitizing government procedures (component I), by strengthening institutional capacity for a digital government (component II) and by enhancing transparency and integrity in the government (component III).

The main problem relates to the limited competitiveness of The Bahamas and its economy resulting from: (i) inefficient government bureaucracy, (ii) limited adoption of a digital agenda and, (iii) limited transparency and accountability in government.

The POD clearly identifies the potential beneficiaries of the project. The project's vertical logic is well specified. The link between interventions and problems has been adequately established.

The Result Matrix is adequately constructed and contains the required elements for monitoring the project. However, there is still room for a better impact alignment and better identification and measurements in results and products.

The POD documentation includes an ex ante economic analysis where the economic benefits have been quantified and the costs reflect resource costs in the economy. The estimated Net Present Value (NPV) is US \$2,576,109 and the Internal Rate of Return (IRR) is 14.55 % in a base scenario during a 20-year period. The program includes monitoring and evaluation arrangements. The POD documentation includes a risk matrix. Mitigation measures were identified with adequate monitoring indicators.



**RESULTS MATRIX**

<b>Project Objective:</b>	<p>The objective of this project is to foster the competitiveness of the Commonwealth of The Bahamas by reducing the costs of conducting business with the national government.</p> <p>The specific objectives are: (i) streamlining government procedures and making them available online to reduce the cost of government bureaucracy; (ii) increasing the use of ICT in the public sector; and (iii) increasing transparency of government activities and strengthening auditing and control mechanisms.</p>
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**EXPECTED IMPACT**

Indicators	Unit of measure	Baseline	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of Project	Means of verification	Observations
<b>Impact: Time spent by businesspeople completing government procedures reduced</b>												
Hours business people spend doing government procedures per year	hours	25.7	2018	25.7	20.6	16.4	13.1	10.4	8.3	8.3	Annual survey conducted by the Chambers of Commerce 2017	Find <a href="#">Business Survey Technical Note</a> and <a href="#">Business Survey Results</a> These government procedures refer to the transactions conducted in the last 12 months. It varies from company to company. The full list of procedures can be found in question Q31
Cost incurred annually by business people to do government procedures	US\$	614	2018	614	491	391	312	248	198	198	Annual survey conducted by the Chambers of Commerce	The indicator is calculated as the product of number of hours spent per year doing

													<p>government procedures multiplied by <a href="#">the average hourly wage</a>. No decimals have been considered in the final numbers. Find <a href="#">Business Survey Technical Note</a> and <a href="#">Business Survey Results</a>. The government procedures vary from company to company, the full list of procedures can be found in question Q31</p>
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**EXPECTED OUTCOMES**

Indicators	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of Project	Means of verification	Observations
<b>OUTCOME 1: Percentage of people using government online services increased</b>												
People obtaining a certified copy of birth registration online	%	0	2018	0	20	40	50	60	70	70	Report provided by the Office of the Registrar General	Data will be obtained from the Office of Registrar General records Calculated as number of certified

Indicators	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of Project	Means of verification	Observations
												copies obtained online divided by total number of certified copies issued
<b>OUTCOME 2: Information shared by government institutions increased</b>												
Government institutions connected to the interoperability platform	%	0	2018	0	5	10	15	20	30	30	Report provided by the DIT	There are potentially 23 Ministries, 38 government corporations and statutory agencies and 68 Government Departments to be connected

#### OUTPUTS

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
<b>Component 1: Simplifying and digitizing government procedures</b>												
Government procedures mapped in a BPM <sup>1</sup>	Number	0	2018	0	50	100	150	100	0	400	Report provided by the DIT and BPM application	The mapped procedures will be visible in the BPM application
New legislation drafted	Number	0	2018	0	2	1	0	0	0	3	Documents with the draft legislation	Legislative documents to be produced focus on

<sup>1</sup> BPM. An application that allows for the graphic representation of a government procedure, facilitates its reengineering and subsequent online management.

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
												the following topics: - Digital Government - Cybersecurity - Data Protection and Privacy
Government applications available in the cloud	Number	0	2018	0	8	3	3	6	5	25	Bahamas Government Website	Applications to be included in the platform will be defined at the initial stages of implementation. It is anticipated that they will cover key areas such as digital signature, identification, business processing, security and online payments
Government interoperability platform in operation	Number	0	2018	1	0	0	0	0	0	1	DIT annual report	
Updated citizen portal in operation	Number	0	2018	1	0	0	0	0	0	1	Bahamas Government Website	The portal will be the unified point of access to all government procedures available online
Government procedures online	Number	11	2018	0	20	40	50	50	40	211	Bahamas Government Website	

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
Property registration procedures managed online	%	0	2018	0	20	40	50	60	70	70	DIT annual report	Data will be obtained from the Office of Registrar General records. Calculated as number of government procedures managed online divided by total number of government procedures managed annually
Business set up procedures managed online	%	0	2018	0	60	70	80	100	100	100	DIT annual report	Data will be obtained from the Office of Registrar General records. Calculated as the previous indicator
NIB database available in the government interoperability platform for authentication purposes	Number	0	2018	0	1	0	0	0	0	1	DIT annual report	This database includes 70% of the population of The Bahamas. All those above 18 years of age are included
<b>Component 2: Strengthening institutional capacity for a digital government</b>												
Digital government institutional framework established	Number	0	2018	1	0	0	0	0	0	1	PEU Report	A document, included the plan to implement the institutional framework, will be drafted, approved by the Minister of Finance and

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
												presented to Cabinet
Government CIO office in operation	Number	0	2018	1	0	0	0	0	0	1	PEU Report	Cabinet Document will be issued setting up the CIO office
Government ICT training activities	Number	0	2018	2	5	5	5	5	2	24	PEU Report	A record of all ICT professionals will be maintained as means of verification
ICT Blueprint approved by the PSC	Number	0	2018	1	0	0	0	0	0	1	ICT Blue Print document and minutes of the PSC meetings	
ICT Strategic projects in operation funded by ICT Fund	Number	0	2018	4	4	4	4	4	0	20	DIT annual report	
ICT skills gap assessment approved by the PSC	Number	0	2018	1	0	0	0	0	0	1	ICT skills gap assessment document	
ICT training activities for government employees undertaken	Number	0	2018	2	4	4	4	4	2	20	DIT annual report	These training activities will prioritize government employees identified as the least digitally qualified in the ICT skills gap analysis
Change management plan designed	Number	0	2018	1	0	0	0	0	0	1	PEU Report	The plan will include 2 activities per year with all government

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
and implemented												agencies and 1 with each key institution for the project (5). In addition to New Providence, activities will be undertaken in Gran Bahama and Abaco
Citizens trained in the use of digital tools	Number	0	2018	0	6,720	6,720	6,720	6,720	6,720	33,600	DIT annual report	Two courses per year on each of the 168 venues at 20 participants per course
Small and Medium Enterprises owners trained in the use of digital tools	Number	0	2018	0	600	600	600	600	600	3,000	DIT annual report	12 courses per year (8 hours per course) at 50 participants per course
Women trained in digital literacy activities	%	0	2018	0	60	60	60	60	60	60	PEU Report	This indicator is calculated as the average of the two previous indicators: "Citizens trained in the use of digital tools" and "Small and medium enterprises (SMEs) owners trained in the use of digital tools"
Citizens and businesses aware of government services available online through	Number	0	2018	5,000	10,000	20,000	20,000	25,000	25,000	105,000	PEU Report	It is estimated that some people will be exposed more than once to the campaign. Numbers presented have

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
outreach campaign												potential duplication discounted
Data analytics office in operation	Number	0	2018	0	1	0	0	0	0	1	PEU Report	
Cybersecurity strategy designed and implemented	Number	0	2018	1	0	0	0	0	0	1	DIT Annual Report	A document included the plan will be drafted, approved by the Minister of Finance and presented to Cabinet
CERT designed and implemented	Number	0	2018	0	1	0	0	0	0	1	DIT Annual Report	
IT projects supervised	Number	0	2018	1	3	3	1	1	1	10	DIT Annual Report	This is a consulting service related to the implementation of key IT projects such as those monitored through the following indicators: "Government cloud in operation", "Government interoperability platform in operation" and "Updated Citizen portal in operation"



Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
<b>Component 3: Enhancing transparency and integrity in government</b>												
InvestmentMap platform in the country implemented	Number	0	2018	0	1	0	0	0	0	1	Platform website	
Training plan for public officials on the management and use of the InvestmentMap platform conducted	Number	0	2018	0	1	0	0	0	1	2	PEU Report on the training activities carried out	Public officials will learn how both the back and front end of the platform work and how to manage them adequately
Open budget datasets published on the internet in machine-readable format	Number	0	2018	1	1	0	0	0	0	2	PEU Report on the openness of the datasets	Report on the number of fields open to the public in machine-readable format (2018) and follow-up report after the implementation of the InvestmentsMap platform (2019)
Scoping report on the institutional gaps related to the rollout of FOIA produced	Number	0	2018	1	0	0	0	0	0	1	Scoping report document	This scoping report will be a preparation for the FOIA implementation plan and will consist of a quick preliminary assessment of what are the critical sectors in which FOIA should and could be applied, and why

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
Implementation of master plan for the rollout of FOIA developed	Number	0	2018	1	0	0	0	0	0	1	Implementation Plan Document	The development of this plan will include decision-makers, resources and incentives based on a gradual approach with sectors or priority government units that generate early profits
Training activities for Information Commission and others to enhance openness in the public sector (a per art. 46 of FOIA) implemented	Number	0	2018	0	1	1	1	0	0	3	PEU Report	Public officials will acquire international best practices on access to public information and how to measure transparency in public sector entities
Government institutions that have implemented the FOIA	Number	0	2018	0	2	2	2	2	2	10	PEU Report	Periodic reports will have to be submitted to summarize the evolution of FOIA's rollout
Risk assessment designed and implemented in the OAG	Number	0	2018	0	1	1	1	1	1	5	Risk assessment document	
Public Expenditure Observatory Plan designed	Number	0	2018	1	0	0	0	0	0	1	Document containing the Public Expenditure Observatory architecture design	

Outputs	Unit of measure	Baseline Value	Baseline Year	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	End of project	Means of verification	Observations
Public Expenditure Observatory implemented	Number	0	2018	0	0	1	0	0	0	1	Public Expenditure Observatory website	The Public Expenditure Observatory will be available online

## FIDUCIARY ARRANGEMENTS

**Country:** Commonwealth of The Bahamas  
**Project Number:** BH-L1045  
**Name:** Government Digital Transformation to Strengthen Competitiveness  
**Executing Agency (EA):** Ministry of Finance (MOF) through the Department of Information Technology (DIT)  
**Prepared by:** Mario Castaneda (FMP/CBH) and René Herrera (FMP/CJA)

### I. EXECUTIVE SUMMARY

- 1.1 The Ministry of Finance (MOF) through its Department of Information Technology (DIT) has been designated as the EA for the captioned program. The project team conducted an institutional capacity assessment covering planning, executing, and control areas, to determine its level of development and associated risks and propose appropriate mitigation actions. The scores in all areas are substantially low but the government is open to adopt the recommendations to establish and develop the necessary capacity for a successful implementation of the program.
- 1.2 For the purposes of execution of the program, it has been agreed that a Project Executing Unit (PEU) will be established within the MOF, properly staffed with specialized fiduciary as well as planning and monitoring personnel. Under the leadership of the DIT, this PEU will maintain close coordination with the different stakeholders, following the implementation and coordination arrangements established in a manual of operations. The manual will assist to ensure clarity of roles, responsibilities, and procedures applicable for program 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. The Cabinet constitutes the executive branch and has general direction 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 states that there is 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 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 is inter-annual, going from July 1<sup>st</sup> to June 30<sup>th</sup>.
- 2.3 In 2010, the country initiated a reform of the national public procurement system, undertaken by the MOF. This reform effort is still underway, and the country's

public procurement systems are not yet recommended for this program as of today. MOF maintains a close oversight of project implementation by channeling all disbursement requests to the IDB and stays involved particularly in major issues regarding project implementation.

### III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

3.1 The application of the Institutional Capacity Assessment (ICAS) tool resulted in low-level ratings in all areas (planning, execution and control). The team proposes the following actions to address the weaknesses identified by the project team to ensure the successful implementation of the program.

**Table 1. Fiduciary Risks and Recommended Mitigation Actions**

Risks/Weakness	Action Recommended	Compliance By
<p>Delays in procurement due to limited experience applying IDB procurement policies and procedures. <b>Medium.</b></p>	<p><b>1. Hiring of a Procurement Specialist</b> under the PEU. The Bank will offer a progressive training plan to procurement staff in the PEU and explain acceptable bidding methods. This specialist will consolidate the overall Procurement Plan (PP). Supervision of procurement will be conducted in ex ante modality and may change to ex post later on during implementation following the Bank's guidelines for supervision of procurement activities.</p>	<p>Program startup date, required in loan contract.</p>
<p>Delays in financial reporting due to limitations in personnel applying IDB FM policies and procedures. <b>Medium.</b></p> <p>The delays in reporting relate to the inefficiencies observed in other programs in other government agencies in relation to 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 structural inefficiencies have also led to late presentation of Audited Financial Statements (AFS) in other programs as information for testing purposes is not readily available, even in those cases in which the audit has been performed by the OAG.</p>	<p><b>2. Hiring of a FM Specialist</b> under the PEU. The Bank will offer progressive FM training for the PEU staff. The training will also incorporate financial planning. This specialist will consolidate all financial program information and reporting. The FM specialist is expected to set up a supplementary tracking system for project reporting and comply with internal control requirements (i.e. Quickbooks or similar).</p> <p><b>3. Selection of external auditors</b> with a multiyear contract, using an expedited Least Cost Selection process, at least 4 months in advance to the closing of the fiscal year.</p>	<p>Program startup date, required in loan contract.</p> <p>During execution.</p>
<p>Delays in implementation due to lack of coordination between participating government agencies. <b>Medium.</b></p>	<p><b>4. A Project Operating Manual (POM)</b> should have sufficient details of roles, responsibilities, procedures for the organization and coordination arrangements for execution of the program.</p>	<p>Program startup date, required in loan contract.</p>

Risks/Weakness	Action Recommended	Compliance By
Delays in implementation due to low capacity for planning and monitoring. <b>Medium.</b>	<p><b>5. Hiring of a Monitoring and Evaluation (M&amp;E) Specialist</b> to assist in the planning, M&amp;E responsibilities of the PEU.</p> <p><b>6. A kick off workshop</b> to present and apply bank standard planning instruments is deemed necessary: Project Execution Plan, Annual Operating Plans (AOP), Progress Monitoring Report, PP, Financial Plans, Risk Management, etc.</p>	<p>Program startup date, required in loan contract.</p> <p>Continued support during execution.</p>

#### IV. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 4.1 Procurement for the proposed program will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American 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 Services<sup>1</sup> generated under the program 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 program sector specialist.
  - b. **Selection and Contracting of Consultants.** The consulting services contracts generated under this program will be selected and contracted using the Standard Request for Proposals 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 program 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 the MOF/DIT/PEU staff in charge of the financial management and procurement execution prior to starting activities and based on the Annual Operations Plan (AOP).

<sup>1</sup> 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 = 1 BS dollars.

- e. **Recurrent Expenses.** The program contains coverage of recurrent expenses that are required to start and maintain the program during execution and will be financed by the program within the annual budget approved by the Bank and Bahamas Financial Parameters. Among those identified there is funding for hiring consultants to assist the PEU in program management and supervision, M&E costs identified in the cost structure. These personnel are necessary to ensure proper staffing of the PEU to carry out the program activities and are consistent with Country Financing Parameters.
- f. **Retroactive Financing.** The borrower has expressed its interest in retroactive financing. The Bank may finance retroactively under the loan up to US\$6 million (20% of the proposed loan amount), eligible expenses incurred by the borrower prior to the date of loan approval by the Bank's Board of Executive Directors to finance activities under Components 1 and 2 provided that all the requirements are substantially similar to those set out in the loan agreement requirements. These expenses must have been incurred or on after March 22<sup>nd</sup>, 2018 (Project Profile approval date), and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.

**Table 2. Thresholds (US\$)**

International Competitive Bidding Threshold *		National Competitive Bidding Range ** (Complex Works and Non-Common Goods)		Consulting Services ***
Works	Goods	Works	Goods	International Short List
≥3,000,000	≥150,000	150,000 – 3,000,000	50,000 -150,000	≥200,000

\* When procuring simple works and common goods and their amount is under the International Competitive Bidding thresholds, Shopping may be used.

\*\* When procuring complex works and non-common goods with amounts under the NCB range, Shopping shall be used.

\*\*\* [PP](#).

## V. MAIN PROCUREMENT ACTIVITIES

- 5.1 The main procurement activities for the first 18 months financed by this operation are listed below:

**Table 3. Main Procurement Activities for the First 18 Months (US\$)**

Activity	Procurement Method	Estimated Date	Estimated Amount 000'US\$
<b>Non-Consulting Services</b>			
Other experts to assist the PEU			842
Cloud provider to establish the Bahamas Cloud Gov (BCG)	LCS	4 Q 2018	2,075
<b>Firms</b>			
Updating and mapping of the 200 most relevant procedures for business	QCBS		1,200
Implementation of the interoperability platform in the BCG	QCBS		800
Implementation of the citizen portal	QCBS		2,500
Implement a back office & front office platform for companies registration	QCBS		2,500
Assessment of skills and qualifications of all government employees related to ICT	QCBS		300

Activity	Procurement Method	Estimated Date	Estimated Amount 000'US\$
<b>Individuals</b>			
PEU staffing (5-year contracts)	QCNI	3 Q 2018	2,270

## VI. PROCUREMENT SUPERVISION

- 6.1 The supervision method for procurement execution will be established ex ante until the PEU procurement expert has gained experience observing and executing Bank policies, procedures, and use of standard bidding documents. The ex post modality may be recommended by the Procurement Specialist to the Team Leader in accordance to outcomes of supervision visits, if appropriate evidence is presented to demonstrate capacity to perform under the ex post supervision modality. Supervision visits will be performed at least every 12 months and as indicated in the program supervision plan. When ex post review is recommended, the supervision visits will be performed jointly with supervision visits whenever possible.

## VII. FINANCIAL MANAGEMENT

- 7.1 **Programming and Budget.** Each year during its budget call, the Budget Department of the MOF sends out its circular including the required forms to be completed. The Borrower has committed to allocate, for each fiscal year of program execution, adequate fiscal space to guarantee the unfettered execution of the program, as indicated in the corresponding AOP.
- 7.2 **Accounting and Information Systems.** The national accounting system will be partially used. As the government accounting system does not provide sufficient details of program financial execution, it will be necessary to maintain auxiliary records at the PEU level, under the responsibility of a financial specialist, to fully comply with IDB requirements of internal control and records.
- 7.3 **Disbursements and Funds Flows.** The MOF will be using Advances of Funds as their preferred method to receive loan resources. Advances of funds will be processed on the basis of a financial plan. For this purpose, 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 program expenditures. Other methods of disbursement such as reimbursements and direct payments will be considered on a case by case basis. For retroactive financing of expenses made with Government of The Bahamas own resources (see paragraph 4.1.f), reimbursements would be made to the government's consolidated fund.
- 7.4 The PEU will be committed to maintain strict control over the utilization of loan resources to ensure the easy verification and reconciliation of balances between the EA's records and IDB records (WLMS1 Summary Report).
- 7.5 The program will provide adequate justification of the existing Advance of Funds balances, whenever at least 80% of said balance has been spent. When used,



Advances will normally cover a period not exceeding 180 days and no less than 90 days.

- 7.6 Supporting documentation for Justification of Advances and Reimbursement of Payments Made will be kept at the office of the PEU. 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.
- 7.7 To request disbursements from the Bank, the EA will present the following forms and supporting documents:

**Table 4. Type of Disbursement**

Type of Disbursement	Mandatory Forms	Optional Forms/ Information That Can Be Requested by the IDB
Advance of Funds	Disbursement Request/ Financial Plan	List of commitments physical/financial progress reports
Reimbursements of payments made	Disbursement Request/ Program Execution Status/ Statement of Expenses	List of commitments physical/financial progress reports
Direct payment to supplier	Disbursement Request/ Acceptable Supporting Documentation may include invoices and acceptance of completion of works and/or delivery of goods and services to satisfaction of the Government of The Bahamas	List of commitments physical/financial progress reports/evidence that goods/services have been satisfactorily received

- 7.8 **Internal Control and Audit.** The internal control capacity is estimated to be low. To the extent possible, the internal audit unit will provide oversight to the program.
- 7.9 **External Control and Reporting.** A private eligible audit firm will be hired to conduct the external audits if the use of the services of the OAG were not possible.
- 7.10 **Financial Supervision Plan.** Inspection visits will be performed at least annually, covering the following: (i) review of the Reconciliation and supporting documentation for Advances and Justifications; (ii) compliance with financial and procurement procedures; (iii) conducting ex post Review of Disbursements; and (iv) follow up on audit work plan and audit recommendations. Financial supervision will be developed based on the initial and subsequent risk assessments carried out for the program. To the extent possible, the Fiduciary Specialists will join administration missions and other project supervision activities.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_\_/18

Bahamas. Loan \_\_\_\_\_/OC-BH to the Commonwealth of The Bahamas  
Government Digital Transformation to Strengthen  
Competitiveness

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Commonwealth of The Bahamas, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the project "Government Digital Transformation to Strengthen Competitiveness". Such financing will be for the amount of up to US\$30,000,000 from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on \_\_\_\_\_ 2018)