Donors Committee
Short Procedure
Expires on 15 December 2015

MIF/AT-1386
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Spanish
Public

To: The MIF Representatives

From: The Secretary

Subject: Bahamas. Nonreimbursable technical-cooperation funding for the project "Revitalization of the Sponging Industry"

Basic Information:

Executing agency ..... Bahamas Agricultural and Industrial Corporation

Amount ..... up to US$535,450 or its equivalent in other convertible currencies

Source ..... Multilateral Investment Fund

Inquiries to: Gregory Watson (extension 8206) or Winsome Leslie (extension 1650)

Remarks: The Representatives are requested to inform the Secretary, in writing, no later than **15 December 2015** if they wish to interrupt this procedure. If no such communication is received by that date, the attached resolution will be considered adopted by the Donors Committee, and a record to that effect will be made in the minutes of a forthcoming meeting.

The Multilateral Investment Fund (MIF) translated the document and submitted both language versions to the Office of the Secretary for distribution.

Reference: MIF/GN-123-3(9/07), MIF/AT-1268(10/13), MIF/DE-45/13

PUBLIC

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

THE BAHAMAS

REVITALIZATION OF THE SPONGING INDUSTRY

(BH-M1013)

DONORS MEMORANDUM

This document was prepared by the project team comprised of: Gregory Watson (MIF/ABG), Team Leader; Michelle Evans (CCB/CBH); Yolanda Strachan (MIF/AMC); Winsome Leslie (MIF/ATF); Wayne Beecher (MIF/CJA); Karen Fowle (MIF/MIL); Ryan Tang (MIF/ATF); Brian Muraresku (LEG/LEG).

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(BH-M1013)

Sponges are a key form of natural capital in the Bahamas, and play an important role in coastal ecosystems, especially in a time of climate change and ocean acidification. They also serve as an important source of income for low-income populations who harvest and sell them. The sustainability of the sponge population in the Bahamas is currently threatened, as spongers frequently do not follow good practices and hook or pull the sponge out of the seafloor. This lack of sustainability in the sponge industry is a problem, with important negative effects on biodiversity and ecosystem services. A sponge population collapse would also negatively impact the incomes of low-income sponge harvesters (spongers).

Compounding the negative income effects of a lack of sustainability in the industry, spongers are also not capturing the full value of their product. Local sponge harvesters do not have access to higher-value markets because they are not organized and do not have the skills to process and market the sponges. They harvest sponges and sell them at a low price to a consolidator/export business that processes them and sells them at a much higher price. Since the spongers are neither involved in processing nor are linked to a final customer buyer, they do not benefit from the higher end-price of the sponges.

A transition from manual processing to mechanized processes is important for meeting international standards, reducing labor costs, and improving productivity. The Bahamas Agricultural and Industrial Corporation (BAIC), in partnership with the Bahamas Commercial Spongers Association (BCSA), has expressed a willingness to finance equipment for spongers to directly engage in mechanized processing. With the right training and organization, local spongers can move up the value chain and capture a larger share of the income from sponging.

This project provides that training and organization, and it also seeks to revitalize an industry that has historically been a significant source of income for low-income Bahamians. By ensuring sustainability of the sponge population, the project will ensure that a key source of income for Bahamians is maintained and that the natural capital of the country is leveraged for sustainable developments. It will also work to consolidate the industry within an Association that will represent the spongers, providing access to mechanized processing equipment, training, branding, marketing, and direct sales to customers. This private sector solution will allow spongers to move up the value chain and capture higher value from their products.

The project expects to have 200 direct beneficiaries who are spongers in Andros and 440 indirect beneficiaries, who are the spongers' families.

The project contributes to IDB Group's goals as outlined in the 2010-2020 IDB Institutional Strategy[1]and is consistent with the IDB Climate Change Strategy[2], as well as the Bahamas Country Strategy. The project is also in line with the IDB's strategy to increase the number of projects that support biodiversity (as stated in the Biodiversity Platform)[3]. It is part of a

[1] This strategy outlines facilitating the sustainable use of natural resources by SMEs as a goal for the IDB Group.
[2]http://www.iadb.org/document.cfm?id=35802849
[3]http://www.iadb.org/document.cfm?id=38186826

package of projects from the Bank[4] designed to leverage the natural capital of Andros for development of the island.

[4] BH-M1010; RG-M1238

ANNEXES

APPENDIXES

INFORMATION AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF MIF PROJECT INFORMATION SYSTEM

ACRONYMS AND ABBREVIATIONS

AOP	Annual Operating Plan
BAIC	Bahamas Agricultural and Industrial Corporation
BAMSI	Bahamas Agricultural and Marine Institute
DNA	Diagnostic of Executing Agency Needs
IADB	Inter-American Development Bank
MIF	Multilateral Investment Fund
OR	Operating Regulations
PCU	Project Coordination Unit
QED	Quality for Effectiveness in Development
TOR	Terms of Reference

PROJECT INFORMATION
REVITALIZATION OF THE SPONGE INDUSTRY
(BH-M1013)

Country and Geographic Location:	The Bahamas: Andros Island, specifically the communities surrounding Mangrove Cay, Red Bays, and the West Side Nation Park		
Executing Agency:	Bahamas Agricultural and Industrial Corporation		
Access Area:	Access to Basic Services and Green Growth		
Agenda:	Leveraging Natural Capital; Linking Small Producers to Value Chains		
Coordination with Other Donors/Bank Operations:	BH-T1040 Ecosystem-based Development for Andros Island BH-M1010 Support for the Economic Empowerment of Fly Fishing Guides RG-M1238 Strengthening Bird-based Tourism as a Conservation and Development Tool		
Direct Beneficiaries:	200 low-income spongers, 90% male, 10% female.[5]		
Indirect Beneficiaries:	440 individuals who depend on the income of the spongers, mostly women and children.[6]		
Financing:	Technical Cooperation:	US$535,450	48%
	Investment:	US$000,000	
	Loan:	US$ 000,000	
	TOTAL MIF FUNDING:	US$ 535,450	
	Counterpart:	US$ 582,700	52%
	Co-financing (if available):		00%
	TOTAL PROJECT BUDGET:	US$ 1,118,150	100%
Execution and Disbursement Period:	30 months of execution and 36 months of disbursement.		
Special Contractual Conditions:	Conditions prior to first disbursement will be: (i) MIF Approval of the Operating Regulations and Annual Operations Plan of the project; (ii) MIF approval of the Terms of Reference of the Project Coordinator; (iii) documentation of the legal registration of the Bahamas Commercial Sponge Association.		
Environmental and Social Impact Review:	This operation was screened and classified as required by the IDB's safeguard policy (OP-703). Given the limited impacts and risks, the proposed category for the project is C.		
Unit with Disbursement Responsibility:	Country Office Bahamas		

[5] Sponging is a physically demanding profession and according to the Sponging Association, only 10% of spongers are women. As the project helps move processing lower into the value chain it is expected that more women will participate in processing activities. Average annual income of spongers is $9600.

[6] Average household size in Andros is 3.2.

1. BACKGROUND AND JUSTIFICATION

A. Diagnosis of the Problem to be addressed by the Project

1.1. Nature provides income and employment for 80% of the inhabitants of Andros. Approximately 1,645 full time jobs and 8,000 part-time jobs rely on the island's natural capital. Environmental degradation in the Caribbean means that available natural resources on Andros are likely to become more valuable, if they are properly protected. Conversely, the potential losses in values and the loss in income, jobs and welfare could be enormous if effective conservation actions are not implemented.[7] In the Bahamas sponges are a key form of natural capital and play an important role in coastal ecosystems, especially in a time of climate change and ocean acidification.

1.2. Historically sponges were one of the most important sources of income and exports for the Bahamas. Until 1938, the Bahamas' sponge grounds were the most productive in the world, with peak production reached in 1917, when 164,000 pounds of sponges were exported in one year.[8] While the industry has shrunk considerably due to a fragmented value chain, population collapse, and antiquated processes, sponges still serve as an important source of income for low-income populations who harvest and sell them, and could once again be a principal driver of income and development for the country.

1.3. The usage of sponges globally is increasing and sponges are now used in cosmetic, medical, pharmaceutical and chemical products. In 2011, the value of sponges exported from The Bahamas equaled US$540,000 (61,500 pounds). This represents a decline from 2006, when sponge exports totaled US$1,065,000 (111,500 pounds). The per-unit price in 2006 and 2011 was similar. The significant decline in total value of production was due in part to discouraged spongers, who realized the disparity between their income and the return on investment (ROI) of the sponge exporters, and therefore resorted to other income-generating activities. It is expected that 2011 levels of production can be reached again through project activities.

1.4. The majority of sponging in The Bahamas occurs on the island of Andros. Andros is located off the southern tip of Florida and is the largest island in The Bahamas archipelago. However, its poverty rate is 17% compared to 13% for New Providence (Nassau) and 10% in Grand Bahama. As a result of a lack of economic opportunities on the island, nearly 10% of the population migrated out of Andros to Nassau between 2000 and 2010, adding to the country's urbanization.

1.5. The sustainability of the sponge population in the Bahamas is currently threatened, as spongers frequently do not follow good practices and hook or pull the sponge out of the seafloor because they are either unaware of the negative effects of "hooking" or because they are not rewarded economically for good practices. This harvesting method

[7] Hargraves-Allen, Venetia."An Economic Valuation of the Natural Resources of Andros Islands, Bahamas". The Nature Conservancy, August 2010.

[8] Craton, Michael, and Gail Saunders, A History of the Bahamian People: From the Ending of Slavery to the Twenty-First Century. University of Georgia Press, 2000. 145.

is common, and threatens the future of the industry because it prevents regeneration of the sponges. Sponges should be harvested by cutting, which leaves the base of the sponge to regrow, reaching harvestable size again in two to five years. This lack of sustainability in the sponge industry is one problem, with important negative effects on biodiversity and ecosystem services. A sponge population collapse would also negatively impact the existing incomes of low-income sponge harvesters (spongers).

1.6. Compounding the negative income effects of a lack of sustainability in the industry is the fact that spongers are not capturing the full value of their product. The supply chain model is fragmented, unorganized, and does not reward good practice. Local sponge harvesters do not have access to higher-value markets as they do not have the skills to process and market the sponges, or the collective means to finance machinery, training, and marketing.

1.7. Once harvested, sponge processing involves the following: Sponges are living tissues, so they must be removed from the water and allowed to die. They are then dried in the sun and paddled by spongers, who then sell to consolidators who complete the processing by mechanically washing and squeezing the sponges, trimming them, and packaging/branding them for sale. The sponge skeleton is the product that is most commonly sold for household use, and most familiar to consumers, and is the end product that is shipped to international markets. The sponge skin and tissue is occasionally sold for pharmaceutical uses.

1.8. In the existing supply chain model, spongers harvest sponges and sell them at a low price to a consolidator/export business that processes them and sells them at a much higher price. Since the spongers are neither involved in processing nor are linked to a final customer buyer, they do not benefit from the higher end-price of the sponges. In addition, as the consolidators are not always focused on sponge population sustainability, they do not train the spongers they do business with in sustainable harvesting practices which could help ensure their incomes into the future. These value chain issues are the second problem facing the industry.

1.9. A transition from manual processing to mechanized processes is important for meeting international standards, reducing labor costs, and improving productivity. BAIC, in partnership with the Bahamas Commercial Spongers Association (BCSA), has expressed a willingness to finance equipment for spongers to directly engage in mechanized processing. With the right training and organization, local spongers can move up the value chain and capture a larger portion of sponge income, while promoting sustainable practices.

B. Project Beneficiaries

1.10. The project expects to have 200 direct beneficiaries who are spongers in Andros and 440 indirect beneficiaries, who are the spongers' families. The island of Andros has approximately 7,500 inhabitants and the average household size is 3.2. Approximately 53% of households have an income less than US$20,000 per year. Sponging is a physically demanding activity and, according to the BCSA, approximately 10% of full-time spongers in Andros are women. It is expected that women could participate in processing the sponges when mechanized sponge processing occurs lower in the value

chain. Geographically, beneficiaries include individuals from the underserved rural communities engaged in sponging. The major sponging Villages in Andros are Mangrove Cay and Red Bays.

C. Contribution to MIF Mandate, Access Framework and IDB Strategy

1.11. This project seeks to revitalize an industry that has historically been a significant source of income for low-income Bahamians. By ensuring sustainability of the sponge population it will ensure that products remain available for sale. It will also work to consolidate the industry within an Association that will represent the spongers, providing access to mechanized processing equipment, training, branding, marketing, and direct sales to customers. This private sector solution will allow spongers to move up the value chain and capture higher value from their products.

1.12. Link to the Agenda: This project is within the MIF Agenda "Leveraging Natural Capital". Natural Capital can be defined as the world's stocks of natural assets which include geology, soil, air, water and all living things. It is from this Natural Capital that humans derive a wide range of services, often called ecosystem services, which make human life possible. Several industries, especially those related to agriculture, depend on the use of natural capital for income generation. The MIF's Natural Capital Agenda is designed to support MIF's core clients to sustainably leverage the value of ecosystem services without diminishing the natural capital itself.

1.13. Ecosystem services relevant to sponging include: climate regulation and natural flood defenses, habitats for species, biodiversity, and tourism. Additionally, the sponges themselves are natural products that are harvested and sold for economic gain.

1.14. The project also contributes to the goals of the Higher Value Markets Agenda by providing training and skills on sustainable production, quality management, and organizational strengthening to promote the inclusion of small scale producers in agricultural value chains.

1.15. Collaboration with the Bank Group. The project contributes to IDB Group's goals as outlined in the 2010-2020 IDB Institutional Strategy[9] and is consistent with the IDB Climate Change Strategy[10], which seeks to strengthen public and private companies that integrate climate adaptation objectives, as well as the Bahamas Country Strategy, which emphasizes the importance of private sector development, coastal risk management, and climate change adaptation. The project is also in line with the IDB's strategy to increase the number of projects that support biodiversity (as stated in the Biodiversity Platform[11], to which the MIF was a contributor) by integrating biodiversity and ecosystem service value into key economic sectors, strengthening environmental governance, and promoting private sector innovation in environmental protection.

1.16. In March 2013, the IDB approved a Technical Cooperation Operation[12], "Strengthening the Institutional Capacity of the Office of The Prime Minister" to support development

[9] This strategy outlines facilitating the sustainable use of natural resources by SMEs as a goal for the IDB Group.
[10] http://www.iadb.org/document.cfm?id=35802849
[11] http://www.iadb.org/document.cfm?id=38186826
[12] BH-T1034

planning for the country focused on strategic and integrated decision making. Based on the results of this project, the Prime Minister's Office announced an initiative to support development for the Family Islands[13] with focus on the development of the island of Andros. The Prime Minister's plan suggested a multi-dimensional approach to income diversification and large scale development of Andros, including the revitalization of the agricultural (sponge) sector.

1.17. In December 2014, at the request of the Government of The Bahamas, the IDB approved a Technical Cooperation,[14] "Ecosystem- Based Development for Andros Island," to evaluate alternative development scenarios that will fully incorporate the value of the natural capital of the island and support the development of a master plan to guide investment opportunities. The objectives of the sponge project are aligned with the master development plan, which includes the sponge industry as one of the key sectors to be mapped and monetized. In addition, the project complements other MIF programs approved for the island that seeks to leverage natural capital and increase employment; Support for the Economic Empowerment of the Fly Fishing Guides[15] and Strengthening Bird Based Tourism as a Conservation and Sustainable Development Tool[16]; and the Integrated Coastal Zone Management Program being funded by the Bank[17].

2. PROJECT DESCRIPTION

A. Objectives

2.1. The objective at the impact level of this project is to contribute to increased income of low-income sponge harvesters in Andros while sustaining the sponge ecosystem.

2.2. The objective at the results level is to provide local spongers with a larger portion of revenues from sponging by assuming new roles in the value chain and by utilizing the Bahamas Commercial Spongers Association to consolidate processing, branding, and sales, linking spongers to markets and buyers. The project will also increase the area of seafloor in which sponges are being sustainably managed, supporting biodiversity.

B. Description of Model/Solution/Intervention

2.3. The project will create a new organizational model that will aggregate spongers and provide them with key services such as training, market access to buyers, machinery, quality control, business advisory services, and branding/marketing. This model will reduce the need for intermediaries, make the supply chain more efficient, mainstream environmental sustainability, and help producers improve their position in the value chain by taking on new activities.

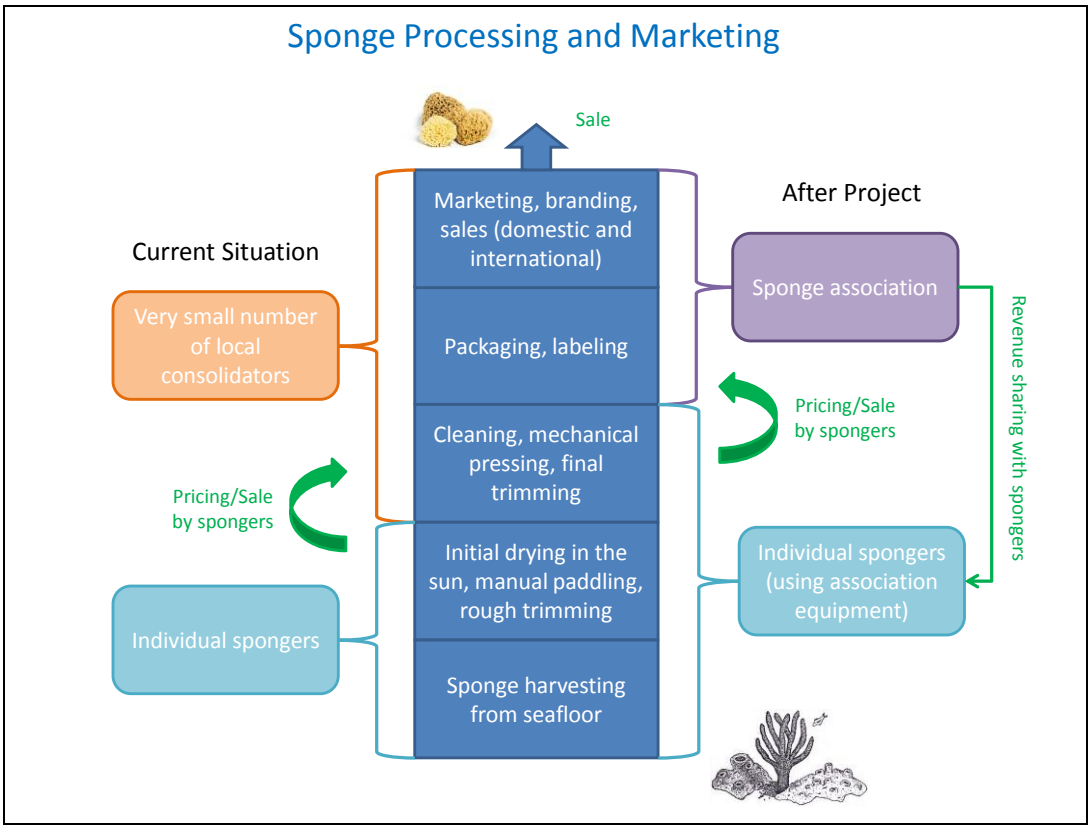
[13] The national name for the outer islands of the Bahamas.
[14] BH-T1040
[15] BH-M1010
[16] RG-M1238
[17] BH-L1005

2.4. To achieve this change in the market, the project will initially undertake market research to ensure that the sponges produced in Andros meet local and international market needs, informing training on which sponges to harvest, how to process them, and purchasers to target for commercialization. The project will strengthen and formalize the Bahamas Commercial Sponge Association (BCSA), which is a newly incorporated association made up of local spongers in Andros. The project will develop a strategy and revenue model for the BCSA, and will strengthen its management, operations, and outreach.

2.5. Spongers will pay a fee to be a member of the Association, and will then receive business and processing training through the Association and subsequently be allowed to use mechanized processing equipment (provided with counterpart financing) in two locations in Andros. This will allow spongers to capture higher value in the value chain by taking on some tasks formerly done by other actors. Associated Spongers will also benefit by being able to sell their products to the Association for commercialization, receiving both a higher value for the processed sponge, and a commission on the final sale.

2.6. The project will help spongers receive more revenue per sponge harvested by shortening the time between harvest and sale, providing technical assistance to improve product quality, and consolidating processing for spongers and linking to market buyers.

2.7. See figure 1, below, for a status of the value chain before and after the project. On the right side of the diagram it is possible to see how spongers are moving up the chain and benefitting from direct sales by the Association.



2.8. It is expected that through the project, spongers who work with the BCSA will increase their sales price from $.60 to $1 per sponge, an increase of 40%. In addition, to maintain sales volumes, using research on the most profitable types of sponges, the project will train spongers on how to farm, harvest and process them properly and sustainably.

2.9. The BCSA will earn revenues from member fees and/or from receiving a portion of revenues from sponges processed and exported. Increased harvesting, processing and export of sponges as a result of the project will contribute to the BCSA's value-added for its members and to its sustainability.

C. Components

Component I: Determination of Best Practices in Sponging and the Establishment of Market Linkages (MIF: $104,000; Counterpart: $96,000).

2.10. The objective of this component is to undertake comprehensive research into the sponging sector to understand the dynamics of the market, product requirements of purchasers, and processing and harvesting best practices so that the Association can process, brand, and market sponges to diverse purchasers.

2.11. Market research will determine: the variety, value, size, name, shape, color, use, and level of processing required by local and international sponge purchasers. Additional research will be undertaken to determine optimal sponge harvesting practices so that guidelines for sustainable harvesting certification can be developed.

2.12. In addition, a marketing effort will be undertaken to link producers to international and local buyers. At the time of submission to the Donors Committee, the executing agency has a commitment from the Ministry of Tourism of the Bahamas to purchase sponges in volume to be used as promotional materials for the Ministry.[18] In addition, the Ministry has agreed to assign a team to the project to assist in developing contracts with local hotels, cruise ships, and spas for the purchase of sponges. In order to further expand sales to domestic and export markets, the project will hire a sales representative who will use the market research developed in this component to undertake direct outreach to purchasers, commercialize, and finalize additional sales contracts.

2.13. The activities and the products of this component are the following:

2.14. **Activity:** International and national market research, including the variety, value, size, name, shape, color, use, and level of processing required by purchasers. **Expected Result:** Market research report.

2.15. **Activity:** Determination of optimal sponge harvesting practices and development of guidelines for sustainable certification. This activity will be coordinated with the Bahamas Agricultural and Marine Institute and the Bahamas National Trust. **Expected Results:** Harvesting practices report and guidelines for certification.

2.16. **Activity:** Determination of baselines including current density of sponges, geographic location of sponges, current sponger average sales value, prices, and sales volumes. **Expected Results:** Baseline report.

2.17. **Activity:** Development of branding, including logo, denomination of origin, sustainability certification, and website. **Expected Results:** Branding package and guidelines, website.

2.18. **Activity:** Direct outreach to purchasers, commercialization, finalization of sales contracts, advertising, communications. **Expected Results:** Domestic and international sales contracts at volume.

Component II: Institutional Strengthening to Operationalize the Bahamas Commercial Sponge Association (MIF: $73,000; Counterpart: $131,150).

2.19. The objective of this component will be to provide support to sponge harvesters by operationalizing The Bahamas Commercial Sponge Association (BCSA). The BCSA will represent Bahamian spongers collectively, provide training activities to spongers, consolidate sponge processing and provide processing equipment, ensure quality of processed sponges, and fulfill sponge orders from customers.

2.20. The BCSA has already been established, has a Board in place, and is in the process of approving its by-laws.[19] In this component the existing Association will be operationalized and professionalized, the Board will receive management and governance training, and a detailed business plan for the association will be developed

[18] Commitment letter available in Annex 12.
[19] Available in Annex 11.

that ensures financial sustainability, outlines the rights and responsibilities of membership, and designs a sales revenue-sharing mechanism for the members. In addition, counterpart resources will be used to purchase and install processing equipment in two key sponging locations, Mangrove Cay and Red Bays.

2.21. The activities and the products of this component are the following:

2.22. **Activity:** Development of a detailed business plan for the association including membership requirements, commissions, revenue-sharing arrangements, the role of the association in educating its members and commercializing product, equipment usage rules, and a financial structure that will allow for the sustainability of the Association at the end of the project period, covering all ongoing costs. **Expected Result:** Association business plan.

2.23. **Activity:** Registration of the Association as a company in the Bahamas **Expected Result:** Association registration.

2.24. **Activity:** Governance, financial management, and computer literacy training for the Board of the Association so that the Board can manage Association operations.[20] **Expected Results:** Training manuals, training sessions.

2.25. **Activity:** Purchase of equipment for two processing sites (Mangrove Cay and Red Bays) including sponge bailers, sponge washers, vacuum sealers and packaging materials, and initial payment of Association rent in these two locations. <u>This activity will be funded exclusively with counterpart resources.</u> **Expected Results:** Two Association sites selected and equipped with processing equipment.

2.26. **Activity:** Equipment maintenance training for Association members. **Product:** equipment use and maintenance manuals, training sessions.

Component III: Business Training and Skills Development for Spongers/Association Members. (MIF: $61,500; Counterpart: $78,500).

2.27. The objective of this component will be to finance the design and delivery of a training program to equip spongers in Andros with the proper techniques of sponge harvesting, processing, and commercialization based on the sustainability practices and market needs identified in Component 1, and the technology installed in Component II. A modular approach will be used to train the spongers through interactive practical workshops on the basic principles of the cutting process, regeneration, cleaning, bleaching, paddling/squeezing, and packaging, as well as activities required to maintain the health of the coastal waters. These activities will be coordinated with the Inter-American Institute for Cooperation on Agriculture (IICA) who will provide valuable inputs and practical guidance on value chain activities. Participants will receive certificates of completion upon finishing all course work.

2.28. In addition, spongers will be trained on business skills so that they may increase their productivity and better track their inventory, sales, and income. The trainings will include a focus on developing the skills of women.

[20] The MIF will provide $3,000 for computers for use by the Association in tracking indicators and reporting, and Association activities.

2.29. The activities and products of this component are the following:

2.30. **Activity:** Business training curriculum development. Specialized consultancies will develop two separate training programs, building on the market studies completed in Component 1: one training program will cover value chains, higher-value products, use of new processing technology, and processing techniques; the second will cover business skills, including entrepreneurship, invoicing and basic bookkeeping. **Expected Results:** Curricula, didactic materials design.

2.31. **Activity:** Sustainability training curriculum development. Using the studies from Component 1, a specialized consultant will develop a hands-on curriculum and training methodology on sustainable sponge harvesting techniques. **Expected Results:** Curriculum, didactic materials design.

2.32. **Activity:** Training sessions, and training logistics. 12 trainings, using the materials prepared above, will be held for groups of Spongers in Mangrove Cay and Red Bays. At the mid-point of the trainings the methodology and curricula will be evaluated and adjustments will be incorporated. In addition, a training coordinator within the Bahamas Spongers Commercial Association (BSCA) will be trained in train-the-trainer methodologies so that the association can continue training new members following project close. **Expected Results:** Didactic material, training workshops, training adjustment report.

Component IV: Knowledge Sharing, Strategic Communications, and Sustainability of Association. (MIF $45,270; Counterpart $38,250).

2.33. The objective of this component is to systematize knowledge and transfer it to appropriate audiences. At the start of project implementation, members of the EA and the BSCA will visit a world-class sponge facility to learn from best practices, and launch events will take place to build community buy-in for the project and receive input into project programming.

2.34. As the project reaches closure, a how-to guide will be developed that captures the key knowledge from the project, including the project model and lessons learned. This how-to guide will be provided to representatives of other important Bahamian sponge communities, so that they can join the Association and provide scale nationally, and to international bodies interested in sponge value chains, for replication. In addition, workshops will be held both in Andros and Nassau to transfer knowledge on the project's achievements and model to local and national authorities, so that the government can scale the project elsewhere.

2.35. Finally, a knowledge transfer workshop will be held with the BSCA so that the EA can transfer all operational knowledge related to the management and ongoing work of the association to the Board of the Association for sustainability of the BSCA h in the future.

2.36. The activities and products of this component are the following:

2.37. **Activity:** Learning trip to Tarpon Springs Sponge Facility (Florida) to learn from best practices. Participants will include Project Coordinator, Project Manager, and 2 Board Members from the BCSA. **Expected Results:** Best practices report.

2.38. **Activity:** How-to guide development, design, publication. **Expected Result:** How-to Guide.

2.39. **Activity:** Workshops for project launch, closing, and steering committee. **Expected Results:** Didactic materials, attendance lists.

2.40. **Activity:** Transfer of model knowledge to other Islands for replication through project visit and training. **Expected Result:** Sponge representatives from 6 other family islands trained, didactic materials.

2.41. **Activity:** Transfer of management of Association and sales platform to BSCA for sustainability. **Expected Result:** Association management manual.

D. Project Governance and Execution Mechanism

2.42. BAIC will use its Project Planning and Development Department to oversee the project and assist in the incubation and strengthening of the Association, its executives, and its members. This department has experience in executing small projects, and has worked with the MIF in the past as an implementer of BA-M1008, where BAIC used a similar model to incubate and then spin-off the Bahamas Craft Association. The Craft Association is now a separate, sustainable, entity.

2.43. The Bahamas Commercial Sponging Association has been formed and will be legally constituted as an incorporated body under the Company's Act of the Commonwealth of the Bahamas before the first disbursement of the project. The association is presently governed by a steering committee, comprising a president, vice president, executive secretary, treasurer, assistant treasurer, chaplain, and public relations director. Once operationalized, this steering committee will organize elections and give way to an elected board of directors. The Draft By-Laws of the Association are included in Annex IX.

2.44. The Association will be guided initially by its Articles or Association, Memorandum of Association, and a comprehensive Business Plan. These documents will detail membership requirements, dues, commissions, revenue-sharing arrangements and financial sustainability once project support is withdrawn. In preparation for business training for the spongers and the sponging Association administrators, curriculum and training methodologies will be developed in value chains, higher-value products, use of new technology, invoicing, book-keeping and improved processing.

2.45. **Executing Unit and Steering Committee:** The project, once initiated, will retain a local project facilitator residing on the island of Andros, who will report to the project coordinator/administrator residing in BAIC's Nassau office. This facilitator will be a member of the Project Steering Committee. Other members of the Steering Committee

will be: two representatives of the Association, a representative of BNT, a representative of IICA, and a member of BAIC's staff. The MIF will be an observer.

2.46. This committee will oversee institutional cooperation between the Association, BAIC, and Spongers, and will serve as a governing body for the project. It will meet, in person or virtually, at least quarterly throughout the project. It will also coordinate with the other strategic partners, outlined below.

2.47. **Marketing/Commercialization Partners:** The project will be supported in marketing and commercialization by the public and private sectors. BAIC has liaised with and is in frequent consultation with the Bahamas Ministry of Tourism. In addition to purchasing sponges to use as promotional materials for the country, the Ministry of Tourism has agreed to facilitate domestic market linkages with hotels, cruise lines, and airport authorities to create new sales channels and ensure market sustainability.

2.48. The Inter-American Institute for Cooperation in Agriculture (IICA) will be a key partner in providing value chain and agricultural advisory services support to the project (see 2.27).

2.49. The Bahamas National Craft Association is expected to play a role in the marketing of the sponge products through its Virtual Platform, (sponsored by IDB & BAIC). BNCA recently shipped products, including processed sponge, to El Puente, Germany.

2.50. **Technical and Knowledge Partners:** BAIC has also joined forces with another strategic partner, The Bahamas National Trust (BNT). BNT is the Bahamas' marine and land resource conservation agency, with responsibility for the largest sponging grounds in the country (West-Side Park – a subset of the Great Bahama Bank). BNT will be an integral part of the Sponging project as a partner in the determination of sponging areas, sustainable practices, and monitoring of environmental impacts.

2.51. BNT will work in collaboration with two additional tertiary level institutions, namely The College of the Bahamas and the University of Florida. These partners are supporting the National Development Plan of the Bahamas and will assist with seafloor mapping and monitoring, and conducting baseline, intermediate, and long-term sustainability studies.

E. Sustainability

2.52. In order to achieve sustainability, the Association must be able to fund its ongoing operations costs (marketing, training, sales) after the MIF project ends. In order to achieve this goal, the Association will be incubated inside BAIC during the project execution period. Throughout execution, goals will be set for revenue generation to gradually cover all Association expenses. At the end of the project training sessions will take place to ensure that the Association Board is fully equipped to take on the running

of the Association. Financial support for the association will come from membership dues and sales commissions.

2.53. BAIC has been the watch-dog agency for the sustainability and service continuity of the Bahamas Handicraft Associations, lending technical and non-financial support when necessary. Following project closure, BAIC will continue with its mandate to facilitate SMEs and associations' development throughout the Bahamas and will provide advice and guidance to the BCSA Board.

2.54. Three months before the project ends, a **sustainability workshop** will be held with all key stakeholders to identify specific actions needed to ensure the continuity of the project's activities once the project funding has been expended. This workshop will be undertaken concurrently with the activities related to the transfer of management of the sales platform to the Association described in Component IV.

F. Experience and Lessons Learned from MIF or other Institutions

2.55. The MIF has significant experience in value chain projects, which has been incorporated into this program. First, the project has secured an initial buyer for the sponges, which is an over-all lesson learned from past MIF projects. The project also organizes a producer association to increase negotiating power and combine harvests, which has been identified as a priority area for investment and support by the MIF in the Compete Caribbean report "Strengthening Sustainable Agriculture in the Caribbean: A Guide for Project Support and Guidelines for a Policy Framework."[21] In addition, it follows that report's advice to take into account eco-system vulnerabilities (harvest method, sustainability of sponge population).

2.56. The project also incorporates lessons learned in the MIF report "Assessment of Five High-Value Agriculture Inclusive Business Projects"[22] which found that interventions in a clearly defined value chain are more effective (such as the sponge chain), and that smallholder farmers should be involved in project design. The MIF team held several stakeholder meetings with local spongers and buyers to determine project activities and sites.

2.57. Finally, the project incorporates lessons from the MIF Green Growth Topic, which has found that it is important to (i) make an economic argument for environmental sustainability, and (ii) involve specialized local environmental agencies in monitoring and evaluation.

G. MIF Additionality

2.58. Non-Financial Additionality. The MIF provides non-financial additionality in this project by providing linkages to other projects as detailed in section 1.14 as part of the

[21] http://www.fomin.org/en-us/Home/Knowledge/Publications/idPublication/110571.aspx

[22] http://services.iadb.org/mifdoc/website/publications/3ca390dd-cd3d-4302-8be7-3a2e979c1553.pdf

Bahamas Development Plan. In addition, the MIF provides profile to the project that facilitates collaboration among the various actors.

2.59. Financial Additionality. MIF resources are necessary to fund the market studies and training aspects of the project. Counterpart resources have been provided to supply infrastructure and equipment to jump-start the association, but the soft costs of training Association leadership to ensure sustainability and branding and marketing need to be supplemented with MIF resources. In addition, behavioral change and processing training will be funded by the MIF.

H. Project Results

2.60. This project will contribute to the following results:

2.61. 1.4 million hectares of seafloor will be sustainably managed (CRF 240100)

2.62. 250 spongers will adopt sustainable production practices (CRF 230600)

2.63. The Bahamas Commercial Sponge Association will be established to consolidate sales and provide training and equipment for processing (CRF 230300)

2.64. 200 spongers will adopt new business practices and will begin processing their own sponge, moving up the value chain (CRF 230100)

2.65. The value of sponges sold by spongers will increase from $.60 to $1.00.

I. Project Impact

2.66. The project will contribute to the following impacts:

2.67. 200 spongers will sell to new export markets through the association (330601)

2.68. Sales to export markets will reach at least $200,000/yr by project end (330600)

2.69. 200 spongers will sell to new domestic markets through the association

2.70. Sales to domestic markets will reach at least $175,000/yr by project end

2.71. Average sponger sales growth is 17% by the end of the project.

J. Systemic Impact

2.72. By mainstreaming processing and direct sales of sponges in Andros' sponge industry and helping producers adopt new harvesting, processing, and sales practices the project will contribute to the following two MIF systemic impact indicators:

- New market or sector emerges with MIF support (450600)
- Key public and private actors adopt new practices based on MIF project (450300)

3. MONITORING AND EVALUATION STRATEGY

3.1. Baseline: Baseline information on all indicators, including average value of sales, sponge prices, sales volumes, density of sponges on the seafloor, and location of

sponges will be collected through specialized consultancies in the first component of the project. Economic and sales indicators will be collected in partnership with the BSCA and its members, and may be a requirement for joining the association. All relevant indicators will be sex-disaggregated, as possible. Environmental/biodiversity indicators will be developed in partnership with local environmental experts, including BAMSI, the Bahamas National Trust, and the Ministry of Environment.

3.2. Monitoring: The executing agency has ample experience in setting up monitoring systems, and will develop the appropriate tools to monitor the project's results. Indicators related to the environment/biodiversity have been structured in partnership with BAMSI, and data on the fulfillment of these indicators will be drawn from research and studies that are already a part of the workplan of BAMSI in its official capacity. The project includes specific activities for monitoring of results and impact, including surveys of Association members, and tracking of sales receipts at the Association level.

3.3. Evaluation: Key evaluation questions for this project include:

3.4. What are the specific characteristics of a value-chain driven model in a marine environment? How do competing marine interests intersect in the use of the resource (conservation, fishing, sponging, and transportation)?

3.5. How is the harvesting of a naturally occurring resource different from the farming of a resource – what are the associated pressures, incentives, and possible collective action problems that can affect success?

3.6. What are the most effective ways for producer associations to identify, contact, and eventually sign purchase agreements with domestic and international purchasers?

3.7. This project will have a mid-term evaluation, to be carried out near month 16, or when 50% of project funds are expended, whichever is sooner, to inform the implementation of the second half of the project. The project will also undergo a final evaluation to examine the results, impact, efficiency, and lessons learned from the project.

3.8. Strategic Audiences: Audiences that are expected to be interested in the results of this project are: the Bahamian Government, Spongers from other Bahamian Islands, The Bahamas National Trust, BAMSI, and International: The Caribbean Fishery Management Council.

3.9. National audiences will be reached through a number of activities. First, most local audiences (national and local government, spongers, will be part of the project steering committee outlines above, and will benefit from regular meetings and updates on the progress of the project. At project close other national and international audiences will be invited to public sessions in the closing workshops described below, and they will receive the project how-to guide.

3.10. Closing Workshop. The executing agency will organize two closing workshops at the appropriate time to assess along with other key stakeholders the outcomes achieved, identify additional tasks to guarantee sustainability, and identify and disseminate lessons learned and best practices. One workshop will take place in Andros and will include all local partners. It will also serve as an opportunity to demonstrate the project results to sponge industry leaders from other Bahamian Islands, who will be

brought to Andros. The second workshop will take place in Nassau and will involve government and civil society, and will involve the Prime Minister's office, Ministries, and NGOs.

4. COST AND FINANCING

4.1. The project has a total cost of US$ 1,118,450 of which US$ 535,450 (48%) will be provided by the MIF, and US$ 581,100 (52%) by the counterpart. The execution period will be30 months and the disbursement period will be36 months.

	MIF	Counterpart	Co-financing	Total
Project Components				
COMPONENT 1: Determination of Best Practices in Sponging and the Establishment of Market Linkages	104,000	96,000		200,000
COMPONENT 2: Institutional Strengthening to Operationalize the Bahamas Commercial Sponge Association	73,000	131,150		204,150
COMPONENT 3: Business Training and Skill Development for Spongers/Association Members	61,500	78,500		140,000
COMPONENT 4: Knowledge Sharing, Strategic Communications, and Sustainability of Association	45,750	38,250		84,000
Execution and Supervision Components				
Executing Agency/ Administrative	168,000	234,800		402,800
Monitoring System	-	4,000		4,000
Mid-Term Evaluation	9,200	-		9,200
Final Evaluation	12,000	-		12,000
Ex post reviews	30,000	-		30,000
Contingencies	32,000	-		32,000
Sub-total	**535,450**	**581,100**		**1,118,450**
% of Financing	**49%**			**52%**

5. EXECUTING AGENCY

5.1. The Bahamas Agricultural Industrial Corporation (BAIC) will be the Executing Agency of this project and will sign the agreement with the Bank. BAIC is a government agency, established by an Act of Parliament on December 30th, 1981. In 1997, BAIC was placed under the Ministry of Labour, Immigration and Training and was given the mandate of facilitating the diversification of the Bahamian economy through the creation and expansion of small and medium size enterprises by promoting, encouraging and stimulating business development in The Bahamas.

5.2. BAIC works to assist small and micro businesses in developing and enhancing profitable opportunities for domestic and international trade. This is done by providing research

and feasibility studies, industrial land/industrial parks for lease at concessionary rates, access to development funding, access to buyer markets, and business monitoring and evaluation. This project falls clearly within the mandate of the BAIC as it seeks to expand micro and small enterprises through access to markets.

5.3. The BAIC's function is:

- To stimulate, facilitate and encourage the development of agriculture in the Bahamas.
- To process the produce of agriculture in The Bahamas; process being defined as milling, canning, packaging, and preparing agricultural products for market.
- To market agricultural products within or outside The Bahamas.
- To carry out, operate, and participate in any agricultural projects as the Minister may approve.
- To assist in the creation and development of commerce and industry in the Bahamas.
- To expand and create opportunities for Bahamians to participate in the economic development of the country.

5.4. BAIC has previous experience with the Multilateral Investment Fund through their involvement as provider of counterpart financing and technical support in The Bahamas Virtual Platform project,[23] approved by the MIF in 2010, to develop a Virtual Platform for the Handicraft Sector to access markets. The organization's strengths lie in its experience as an active participant in the implementation of the Bahamas Virtual Platform, including the establishment of value-added processing and market linkages, and its experience in implementing other small agricultural projects in the family islands. Additionally, BAIC has a strong relationship with the stakeholders in the sponge industry such as the Department of Marine Resources, The Bahamas National Trust, and the Inter-American Institute for Cooperation in Agriculture (IICA). It is equipped to support the growth of the BCSA.

5.5. BAIC will establish an executing unit and the necessary structure to effectively and efficiently execute project activities and manage project resources. BAIC will also be responsible for providing progress reports on project implementation. Details on the structure of the execution unit and reporting requirements are in Annex 7 in the project technical files.

6. PROJECT RISKS

6.1. Risks in this project are primarily associated with (i) executing agency risk, and (ii) market risk.

[23] ATN/ME-12265-BH

6.2. Executing agency risk is associated with the strengthening of the BCSA, which is a new Association with no current revenue stream. To mitigate the risk of the Association's weakness, the Association will be incubated within BAIC for the first two years and the Board will undergo management training. In addition, a business plan will be prepared that incorporates mechanisms to cover carrying costs of the Association through revenue generation.

6.3. Market risk is associated with the need to ensure that there are sufficient buyers for the sponges produced. Currently spongers sell sponges to a limited number of middle-men who then process and sell sponges to the market. By taking on a sales role, the Association will develop an alternate channel for these spongers to reach their markets. The Association has already secured a commitment to purchase sponges from the Ministry of Tourism, which will use them as promotional materials in marketing campaigns for the country's tourism sector. In addition, the Ministry has agreed to facilitate contacts with local tourism operators (hotels, spas, cruise ships, airport shops) and to encourage their purchase of local sponges from the Association for sale in their businesses. The project will include research into the specific needs of each target market, and ensure that branding, quality, and processing meet buyer's needs.

7. Environmental and Social Effects

7.1. This project is expected to have positive environmental effects. By ensuring sustainable harvesting of sponges the project will improve the health and volume of sponges on the seafloor. Sponges provide important ecosystem services such as water filtering and fish habitat.[24] The project has been reviewed by ESG and received a category C rating.

8. Compliance with Milestones and Special Fiduciary Arrangements

8.1. **Disbursement by Results and Fiduciary Arrangements.** The Executing Agency will adhere to the standard MIF disbursement by results, procurement and financial management arrangements specified in Annex 6.

9. Information Disclosure and Intellectual Property

9.1 **Information Disclosure.** This document is public.

[24] Sponges have always been an important component of Caribbean coral reef communities, but they have become increasingly dominant as reef-building corals have declined because of stressors associated with climate change, disease, and pollution (Maliao et al. 2008). Unlike corals and some seaweeds that secrete calcium carbonate skeletons, sponges have skeletons of glass or protein, and they are less likely to be affected by ocean acidification that other reef-building materials. Sponges are important to the overall ecology of coral reefs for many reasons: They are very efficient filter feeders, providing an important link in benthic-pelagic coupling (Southwell et al. 2008), and their bodies provide shelter for large numbers of invertebrates and fishes (Westinga and Hoetjes 1981). Sponges harbor microbial symbionts, which may be important carbon and nitrogen fixers in tropical waters (Diaz and Ward 1997). Sponges are aggressive competitors for space (Aerts 1998) and are primary agents of carbonate bioerosion on coral reefs (Zundelevich et al. 2007) but may also be important in holding the reef framework together (Wulff 1984).http://bioscience.oxfordjournals.org/content/61/11/888.full

SYSTEMIC IMPACTS							RISKS
	Indicator 1	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Number of new markets or sectors that emerge with MIF support (450600)	0	0	0	0	1	
	Formula/Definition						
	Andros sponge farmers process and directly sell sponges to domestic/export markets and exhibit high growth.	***Source: Final evaluation***					
	Indicator 2	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
The project should 1) develop new partnerships between public and private actors; (2) change the way that Spongers are organized, harvest, process, and sell sponges; (3) help the Sponge sector re-emerge as a key income driver in Adross	Number of MIF models replicated or scaled (450100)	0	0	0	0	#	The model created is not relevant to the other Island in the Bahamas or abroad Spongers don not adopt new practices. **Mitigation**: involement of Sr. respected leaders in design and implementation.
	Formula/Definition						
	Sponge association replicated in other Bahamainian islands/other countries	***Source: Final evaluation (value to be filled in post-evaluation)***					
	Indicator 3	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Number of key public and private actors adopt new practices based on MIF project (450300)	*0*	*0*	*0*	*#*	*#*	
	Formula/Definition						
	Sponge Association/Ministry of Environment/Sponge leaders from other islands adopt new practices in sales, harvesting, and processing	***Source: Final evaluation (value to be filled in post-evaluation)***					

FINAL OUTCOMES (IMPACTS)							RISKS
	Indicator 1	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Number of spongers who sell to new export markets through the Sponge Association (330601)	0	0	25	100	200	
	Formula/Definition						
	Difference between the number of firms selling to export markets through the association at the time of the baseline and month 36.	***Source: Sales receipts***					
	Indicator 2	*Month 0 Baseline*	*Month 6*	*Month 12*	*Month 24*	*Month 36*	
	Value of annual sales to new export markets by the Association (firms) (330600)	*0*	*$0.00*	*$50,000.00*	*$100,000.00*	*$200,000.00*	
	Formula/Definition						
	Average sales = Sum of all Association sales to external markets	***Source: Sales figures from Association receipts/number of firms (from indicator 330601)***					The association is not able to make sufficient linkages to the market. **Mitigation:** existence of buyer commitment from Ministy of Tourism prior to project apprval. Additional private sector purchases already approached prior to approval. (hotel, cruise lines, spas, other SMEs).
	Indicator 3	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Number of spongers who sell to new domestic markets through the Sponge Association	*0*	*5*	*25*	*100*	*200*	
Spongers should (1) have increased revenue from capturing a greater portion of the value of the sponge value chain; (2) reach new markets through the Spongers Association; (3) increase sales. In addition, the sustainable management of the seafloor will result in biodiversity maintenence (not captured by an indicator).	***Formula/Definition***						Spongers are not able to provide higher value products to capture the market. **Mitigation:** provision of training and availability of processing equiptment through the Association.
	Number of spongers selling to the Association	***Source: Sales figures from Association receipts/number of firms***					
	Indicator 4	*Month 0 Baseline*	*Month 6*	*Month 12*	*Month 24*	*Month 36*	
	Average value of annual sales to new domestic markets by Association (firms)	*0*	*$10,000.00*	*$100,000.00*	*$150,000.00*	*$175,000.00*	Spongers do not adopt the sustainability harvesting practices **Mitigation**: Spongers will be trained to recognise the economic value of sustained harvesting. Respected community elders will be involved in training.
	Formula/Definition						
	Average sales = Sum of all Association sales to domestic markets.	***Source: Sales figures from Association receipts/number of firms (from indicator 330601)***					
	Indicator 5	*Month 0 Baseline*	*Month 6*	*Month 12*	*Month 24*	*Month 36*	
	Average of business's annual sales growth	*0*	*0*	*0*	*0%*	*17%*	
	Formula/Definition						
	The compounded average annual growth rate (CAGR) of sponge business's sales. CAGR = (Ending Value / Initial Value)^(1 / number of years) - 1. The ending value would be annual sales in the last year of the project and the intial value would be sales in the baseline year. Do this calculation for each business and take the average.	***Source: Firm receipts evaluated at the end of each period. If possible, include sales to Association and to other purchasers (through survey, etc.).(Figures are estimates, final values to be filled in at end of project. Baseline in month 12, compates to Month 36)***					

INTERMEDIATE OUTCOMES (RESULTS)							RISKS
	Indicator 1	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Hectares of seafloor sustainably managed (240100)	0	1.4 million	1.4 million	1.4 million	1.4 million	
	Formula/Definition						
	Hectares of seafloor directly controlled by the spongers under an integrated system of plant and animal production practices having a site-specific application that will, over the long term: satisfy human food and fiber needs; enhance environmental quality and the natural resource base upon which the agricultural economy depends.	***Source: Management Plan and monitoring for Andros Westside National Park.***					
	Indicator 2	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	Measurement of the ecosystem is complicated **Mitigation:** Partnering with Technical Institutions to assist in this capacity.
	Number of spongers adopting sustainable production processes (230600)	0	0	25	120	250	
	Formula/Definition						
	The sum of firms that have verifiably changed business practices or adopted new technologies to protect or positively impact the environment. Spongers with better harvesting methods.	***Source: Training workshop agendas, participation lists. Site visits by the EA.***					Spongers do not know how to use these equipment or the equipment breaks down. **Mitigation:** Spongers will be trained in the use and maintainence of the equipment.
Spongers will: (1) adopt sustainable harvesting practices; (2) link to strategic business partners; (3) adopt new technologies in processing sponges. The Sponger's Association will be strengtened, and will take on some processing activities. In addition, the seafloor will be more sustainably managed.	***Indicator 3***	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Spongers Association (new firm) established (230300)	*0*	*0*	*1*	*1*	*1*	The association will not be sustainable. **Mitigation:** A business plan will be prepared that incorpates mechanisms to cover the carrying costs through revenue generation. The Association will be incubated by BAIC for 2 years.
	Formula/Definition						
	Business plan of association created. Documented sales of processed products shown.	***Source: Business plan, registration, and sales receipts with national and export purchasers.***					
	Indicator 4	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Number of spongers with links to strategic business partners (through association) (230200)	*0*	*0*	*25*	*100*	*200*	
	Formula/Definition						The project will not be able to identify required expertise for technical activities. **Mitigation:** The project will select a steering committee from a wide cross section of organisations with relevant technical expertise.
	Number of members of the Association (spongers) who are linked to purchasers or processors through the association's sales contracts.	***Source: Sales records that show sales by Association members to new markets***					
	Indicator 5	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Number of spongers that have adopted new business practices (processing of product). (230100)	*0*	*0*	*25*	*100*	*200*	
	Formula/Definition						
	Number of the firms that are selling processed sponges.	***Source: Training workshop agendas, participation lists. Site visits by the EA.***					
	Indicator 6	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Increase in value of sponge at point of sale due to capture of higher-value from processing.	*0*	*$0.60*	*$0.60*	*$0.70*	*$1.00*	
	Formula/Definition						
	Average sales price of sponges in USD at baseline compared to average sales price at point of sale in %.	***Source: Baseline compared to sales price recorded in reciepts from sale of sponges by spongers to Association.***					

COMPONENT 1							RISKS
	Indicator 1	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Completion of study on international and national market requirements, buyers, and opportunities	0	1	1	1	1	
	Formula/Definition						
	Report published	***Source: Report is accepted by BAIC***					
	Indicator 2	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Completion of study on optimal sponge harvesting practices and development of sustainable certification guidelines.	0	1	1	1	1	
Determination of best practices in sponging and the establishment of market linkages	***Formula/Definition***						
	Report published	***Source: Report is accepted by BAIC***					
	Indicator 3	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Sales contracts finalized	*0*	*1*	*5*	*15*	*25*	
	Formula/Definition						
	Sales contracts finalized between international and national purchasers	***Source: Signed contracts***					

	Indicator 4	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Volume of sponges sold by Association	*0*	*0*	*100,000*	*150,000*	*200,000*	
	Formula/Definition						
	# of pieces of sponge sold through Association	***Source: Sales receipts/contracts***					
COMPONENT 2							**RISKS**
	Indicator 1	*Month 0 Baseline*	*Month 7*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Detailed business plan of the Association completed	0	1	1	1	1	
	Formula/Definition						
	Business plan document	***Source: Business plan document accpeted by BAIC***					
	Indicator 2	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
Institutionalizal Strengthening of the Bahamas Commerical Sponge Association	Board members trained in governance and financial management (110100)	0	0	8	10	12	
	Formula/Definition						
	Board members who participate in governance and financial management	***Source: Training workshop agendas, participation lists.***					
	Indicator 3	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Production of sponge samples with all branding, improved processes, etc.	*0*	*0*	*500*	*3000*	*5000*	
	Formula/Definition						
	# of pieces of high-quality samples produced	***Source: Samples produced and in inventory at Association***					
COMPONENT 3							**RISKS**
	Indicator 1	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Creation of value chain and processing curriculum	0	0	1	1	1	
	Formula/Definition						
	Curriculum report including training on value chains, higher-value products, new technology, and processing techniques.	***Source: Curriculum developed with BAIC and approved by Project Coordinator***					
	Indicator 2	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Creation of sustainable harvesting curriculum	0	0	1	1	1	
	Formula/Definition						
	Curriculum report including training on sustainable harvesting, ecosystem management, and marine conservation.	***Source: Curriculum developed with BAMSI, COB, and BNT and approved by Project Coordinator***					
	Indicator 3	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Creation of business skills curriculum	*0*	*0*	*1*	*1*	*1*	
	Formula/Definition						
	Curriculum report including invoicing, bookeeping.	***Source: Curriculum developed with BAIC and approved by Project Coordinator***					
	Indicator 4	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
Business Training and Skill Development for Spongers/Association Members	Number of spongers trained on value chains, product quality, and processing techniques. (110100 and 130100)	*0*	*0*	*25*	*100*	*200*	
	Formula/Definition						
	Spongers receiving training (spongers and firms are the same so indicator is the same for individuals/firms per CRF)	***Source: Training Agendas, Participation lists***					
	Indicator 5	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Number of spongers trained on sustainable sponging, ecosystem conservation. (110100 and 130100)	*0*	*0*	*50*	*150*	*250*	
	Formula/Definition						
	Spongers receiving training (spongers and firms are the same so indicator is the same for individuals/firms per CRF). More spongers will be trained on sustainability than will receive business skills training.	***Source: Training Agendas, Participation lists***					
	Indicator 6	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Number of spongers trained on business skills and financial management. (110100 and 130100)	0	0	25	100	200	
	Formula/Definition						
	Spongers receiving training (spongers and firms are the same so indicator is the same for individuals/firms per CRF)	Source: Training Agendas, Participation lists					

COMPONENT 4							RISKS
Knowledge Sharing, Strategic Communications, and Sustainability of Association	***Indicator 1***	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Number of Association members trained to take on management of all association functions through knowledge transfer (110100)	0	0	0	0	50	
	Formula/Definition						
	The sum of individuals deliberately targeted as recipients of knowledge who acquire a product that imparts information, attend an event that imparts information (excluding trainings or courses), or are recipients of any transfer of information.	***Source: Training Agendas, Participation Lists***					
	Indicator 2	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Number of sponging leaders from other Bahamanian Islands who receive how-to guide and knowledge transfer on project model, market, and processes (110200)	0	0	0	0	12	
	Formula/Definition						
	The sum of individuals deliberately targeted as recipients of knowledge who acquire a product that imparts information, attend an event that imparts information (excluding trainings or courses), or are recipients of any transfer of information.	***Source: Training Agendas, Participation Lists***					
	Indicator 3	*Month 0 Baseline*	*Month 6*	*Month 12 (Cumulative)*	*Month 24 (Cumulative)*	*Month 36 (Cumulative)*	
	Number of institutions (government, NGOs, private sector) that receive how-to-guide and knoweldge transfer on project model, market and techniques. (150100)	0	0	0	0	20	
	Formula/Definition						
	The sum of institutions deliberately targeted as recipients of knowledge who acquire a product that imparts information, attend an event that imparts information (excluding trainings or courses), or are recipients of any transfer of information.	***Source: Training agendas and participation lists***					

DETAILED BUDGET

PROJECT NAME
BH-M1013

Ref. # (Refer to number in execution plan)	COMPONENTS	Project Total Amount	MIF	Local Counterpart		
				Cash	in kind	TOTAL
	COMPONENT 1: DETERMINATION OF BEST PRACTICES IN SPONGING AND THE ESTABLISHMENT OF MARKET LINKAGES	**200,000**	**104,000**	**71,000**	**25,000**	**96,000**
	Sponge research to determine highest value products, processing requirements, and sustainable harvest practices					
1.1	*International and national market research (variety, value, size, name, shape, color, use of sponges, level of processing required by purchasers) Lump sum contract including travel*	**12,000**	**6,000**	**6,000**	**-**	**6,000**
1.2	*Determination of optimal sustainable sponge harvesting practices, and development of guidelines for sustainable certification. Lump sum contract including travel (Partnership with Bahamas National Trust and College of the Bahamas)*	**15,000**	**11,000**	**-**	**4,000**	**4,000**
1.3	*Determination of baseline including density of sponges, geographic location of sponges. Lump sum contract including travel. Environmental indicators in partnership with BAMSI and College of the Bahamas*	**16,000**	**10,000**	**-**	**6,000**	**6,000**
1.4	*Determination of baseline including average value of sales, prices, sales volume. Lump sum contract including travel.*	**15,000**	**10,000**	**5,000**	**-**	**5,000**
	Market linkages					
1.5	*Direct outreach to additional purchasers, comercialization, and finalization of sales contracts.*	**60,000**	**30,000**	**30,000**	**-**	**30,000**
1.6	*Branding, including logo, denomination of origin, sustainability certification. Lump sum contract (firm)*	**20,000**	**10,000**	**10,000**	**-**	**10,000**
1.7	*Website design, maintenance, and hosting*	**12,000**	**7,000**	**-**	**5,000**	**5,000**
1.8	*Communications, public relations, advertising*	**50,000**	**20,000**	**20,000**	**10,000**	**30,000**
	COMPONENT 2: INSTITUTIONAL STRENGTHENING TO OPERATIONALIZE THE BAHAMAS COMMERCIAL SPONGE ASSOCIATION	**204,150**	**73,000**	**126,350**	**4,800**	**131,150**
	Operalization of the Sponge Assocation					
2.1	*Detailed business plan for association, including membership requirements, dues, commissions, revenue-sharing arrangements and financial sustainability once project support is withdrawn*	**20,000**	**20,000**	**-**	**-**	**-**
2.2	*Registration of the Assocation as a company*	**2,000**	**2,000**	**-**	**-**	**-**
2.3	*Governance training for Board members. Lump sum contract including travel.*	**15,000**	**15,000**		**-**	**-**
2.4	*Board member travel from Red Bays to Mangrove Cay (2 members, 3 trainings + 24 board meetings)*	**30,000**	**15,000**	**15,000**	**-**	**15,000**
2.5	*Signage*	**6,000**	**2,000**	**4,000**	**-**	**4,000**
2.6	*Computer literacy for the Board. Lump sum contract, including travel.*	**2,400**	**-**	**1,600**	**800**	**2,400**
2.7	*Financial management training for Board. Lump sum contract including travel*	**12,000**	**8,000**	**-**	**4,000**	**4,000**
	Processing Training and Equipment					**-**
2.6	*Sponge Bailer/press*	**20,000**	**-**	**20,000**	**-**	**20,000**
2.7	*Washer x 3 (Mangrove Cay and Red Bays)*	**11,500**	**-**	**11,500**	**-**	**11,500**
2.8	*Vacuum sealer, printer, label printer, and materials*	**4,250**	**-**	**4,250**	**-**	**4,250**
2.9	*Computer x 2*	**3,000**	**3,000**	**-**	**-**	**-**
2.10	*Sponge samples for commercialization/promotion*	**10,000**	**-**	**10,000**	**-**	**10,000**
2.11	*Installation costs and spare parts for machinery*	**5,000**		**5,000**		**5,000**
2.12	*Equipment maintenance training for Association members. Lump sum, including travel.*	**8,000**	**8,000**	**-**	**-**	**-**
2.13	*Rent for Association processing locations, including utilities (Mangrove Cay and Red Bays). 24 months of rent.*	**55,000**	**-**	**55,000**	**-**	**55,000**
	COMPONENT 3: BUSINESS TRAINING AND SKILL DEVELOPMENT FOR SPONGERS/ASSOCIATION MEMBERS	**140,000**	**61,500**	**56,500**	**22,000**	**78,500**
	Business Training for Spongers					
3.1	*Curriculum development and training methodology on value chains, higher-value products, use of new technology, and improved processing. (Uses studies from component 1). Lump sum contract including travel.*	**12,000**	**6,000**	**6,000**	**-**	**6,000**
3.2	*Training workshop facilitation on value chains, higher-value products, and processing. (200 spongers in 3 trainings each in Red Bays and Mangrove Cay). Lump sum contract including travel.*	**15,000**	**7,500**	**7,500**	**-**	**7,500**
3.3	*Curriculum development and training methodology on business skills, including invoicing, basic bookeeping (Uses studies from component 1). Lump sum contract including travel.*	**9,000**	**4,000**	**-**	**5,000**	**5,000**
3.4	*Training workshop facilitation on business skills. (200 spongers in 3 trainings each in Red Bays and Mangrove Cay).*	**30,000**	**12,000**	**6,000**	**12,000**	**18,000**
	Sustainability Training for Spongers					
3.5	*Curriculum development and training methodology on sustainable harvesting techniques. (2 trainings per location in Magrove Cay and Red Bays, uses studies from component 1, and includes BNT, TNC). Lump sum contract including travel.*	**12,000**	**4,000**	**4,000**	**4,000**	**8,000**
3.6	*Training workshop facilitation on sustainable harvesting techniques incorporating Bahamas National Trust activities. (200 spongers in two trainings each in Red Bays and Mangrove Cay).*	**10,000**	**4,500**	**4,500**	**1,000**	**5,500**
	Training logistics and materials					
3.7	*Didactic material design and production*	**15,000**	**5,000**	**10,000**	**-**	**10,000**
3.8	*Catering and training event miscellaneous costs (12 trainings)*	**24,000**	**12,000**	**12,000**	**-**	**12,000**
3.9	*Evaluation of training and training adjustments (Lump sum including travel)*	**8,000**	**4,000**	**4,000**	**-**	**4,000**
3.10	*Training of Association Training Coordinator on train-the-trainer methodologies for new members at close of project. Lump sum contract including travel.*	**5,000**	**2,500**	**2,500**	**-**	**2,500**
	COMPONENT 4: KNOWLEDGE SHARING, STRATEGIC COMMUNICATIONS, AND SUSTAINABILITY OF ASSOCIATION	**84,000**	**45,750**	**32,250**	**6,000**	**38,250**
	Learning Trip					
4.1	*Visit to Tarpon Springs Sponge Facility to learn from best practices. Travel costs including tickets and per diem. (Project Coodinator, Manager, and 2 Board Members)*	**8,000**	**3,500**	**3,500**	**1,000**	**4,500**
	Workshops					**-**
4.2	*Project launch events (3), including travel and catering (Nassau, Red Bays, Mangrove Cay)*	**10,000**	**2,500**	**6,500**	**1,000**	**7,500**
4.3	*Closing Workshop Andros (includes sustainability workshop)*	**6,000**	**500**	**5,500**	**-**	**5,500**
4.4	*Quarterly Steering Committee meeting with partners to share information on sponge industry and ecosystem. (BAMSI, Government, BNT, IICA, TNC)*	**3,000**	**2,000**	**1,000**	**-**	**1,000**
4.5	*Closing Workshop Nassau to transfer knowledge to Government and local Stakeholders for replication*	**2,000**	**1,250**	**250**	**500**	**750**
	Transfer of Management of Sales Platform to the Association to Ensure Sustainability					
4.6	*Knowledge Transfer on Association Operations and Sustainabilty to Board of Bahamas Sponge Association. (Lump sum contract, including travel)*	**15,000**	**12,500**	**2,500**	**-**	**2,500**
	How-to Guide on Business Model, Including Recommendations for Replication					**-**
4.7		**10,000**	**8,500**	**-**	**1,500**	**1,500**
	Transfer of Model to other Islands for Replication					
4.8	*Visit by sponge representatives from other Bahamian Islands to Andros to see model in operation. (Spongers from 6 islands x 2 representatives)*	**12,000**	**6,000**	**6,000**		**6,000**
4.9	*Training for representatives from other islands on model. Lump sum contract including travel.*	**18,000**	**9,000**	**7,000**	**2,000**	**9,000**
	Execution and Supervision	**402,800**	**168,000**	**8,000**	**226,800**	**234,800**
	Project Coordinator	**200,000**	**-**	**-**	**200,000**	**200,000**
	Project Manager (36 months)	**160,000**	**160,000**	**-**	**-**	**-**
	Project Manager Travel (To Nassau and Red Bays)	**16,000**	**8,000**	**8,000**	**-**	**8,000**
	Project Administrative support (part-time)	**12,000**	**-**	**-**	**12,000**	**12,000**
	Project Accounting (part-time)	**10,000**	**-**	**-**	**10,000**	**10,000**
	Steering Committee Travel to Andros for 2 meetings	**4,800**	**-**	**-**	**4,800**	**4,800**
	Monitoring, Evaluation and Ex-post Review of Accounts	**55,200**	**51,200**	**-**	**4,000**	**4,000**
	Monitoring System	**4,000**	**-**	**-**	**4,000**	**4,000**
	Mid Term Evaluation	**9,200**	**9,200**	**-**	**-**	**-**
	Final Evaluation	**12,000**	**12,000**	**-**	**-**	**-**
	Ex - post Reviews	**30,000**	**30,000**	**-**	**-**	**-**
	Contingencies	**32,000**	**32,000**	**-**	**-**	**-**
	Contingencies	**32,000**	**32,000**	**-**	**-**	**-**
	TOTAL	**1,118,150**	**535,450**	**294,100**	**288,600**	**582,700**
	% of Financing	**100%**	**47.89%**	**26.30%**	**25.81%**	**52.11%**

Multilateral Investment Fund
Member of the IDB Group

Quality for Effectiveness in Development - (QED)

Donors Memorandum
November 19, 2015

SECTION 1: PROJECT SUMMARY

PROJECT NAME: Revitalization of the Bahamas Sponging Industry	Project Number: BH-M1013
DESIGN TEAM LEADER: Greg Watson	

SECTION 2: QED CONTENT

1. Project Characteristics and alignment	**7.2**
Specific benefits for women **(5 Points)**	
1.1.1. The project has specific benefits for women	0
Specific benefits for excluded populations and at-risk youth **(2 Points)**	
1.1.2. The project has specific benefits for excluded populations	2
1.1.3. The project has specific benefits for this excluded populations	2
The project targets firms with significant growth and job potential **(3 Points)**	
1.1.4. The project targets firms with significant growth and job potential	0
Specific benefits for the environment**(2 Points)**	
1.1.5. The project has specific benefits for the enviroment (GHG reduction, water savings, conservation, biodiversity)	2
Systemic Impact **(3 Points)**	
1.1.6. The project contributes to systemic impact, by (i) creating or expanding markets, (ii) scaling or replicating development models, or (iii) improving policies, regulations, or legal frameworks, or (iv) promoting adoption of practices by key public or private actors or institutions.	1
Innovation **(3 Points)**	
1.1.7. The project seeks to introduce new products or services into markets or fosters new processes within businesses or organizations	1
Experimentation **(2 Points)**	
1.1.8. The project will test new solution(s) to a specific problem under controlled conditions, using rigorous methodologies.	0
Target 1: Private Sector Development **(50 Points)**	
1.2.1. Foster entrepreneurship including innovative early stage firms	1
1.2.2. Improve the productivity of micro and small firms and small farms	2
1.2.3. Strengthen business environment including public/private collaboration	1
1.2.4. Inclusive Green Growth	2
1.2.5. Expand inclusive access to markets	2
1.2.6. Expand access to financial services and develop financial markets and institutions	0
1.2.7. Expand private sector provision of basic services	0
Target 2: Poverty reduction **(20 Points)**	
1.2.8. The project will be implemented in a region with a high incidence of poverty or target beneficiaries from the poor strata	1
1.3.1. Collaboration within the Bank Group. The document mentions how the project aligns with other Bank interventions, in both the public and private sectors, as appropriate.	1
1.3.2. Collaboration with outside actors for scalability and policy impact. The project has potential for scalability after execution. Project design includes activities aimed at fostering partnerships with the intention to scale, raising additional funds for replication and/or	1

other similar activities.	
2. Project Diagnosis	**9.6**
Diagnostic of the problem **(60 Points)**	
2.1. The problem is identified	2
2.2. The causes of the problem are identified	2
2.3. The effects of the problem are identified	2
2.4. Gender inequality issues are identified	1
2.5. Beneficiary identification	2
Proposed Solution **(40 Points)**	
2.6. Logic of the intervention	2
2.7. Description of the model	2
2.8. Description of the components	2
2.9. Gender issues addressed by the components	2
2.10. Lessons learned	2
2.11. Evidence	1
3. Additionality	**6.3**
3.1. Non-financial contribution	2
3.2. Financial contribution	2
3.3. Additional funding	0
3.4. Executing agency strengthening	1
4. Monitoring & Evaluation, Knowledge Sharing and Strategic Communication	**6.5**
Monitoring & Evaluation **(50 Points)**	
4.1. Monitoring mechanisms	1
4.2. Evaluation questions	2
4.3. Evaluation methodology	1
4.4. Evaluation activities	1
Knowledge Sharing & Strategic Communication **(50 Points)**	
4.5. Knowledge gap	1
4.6. Knowledge sharing products are defined and appropriate to the audiences	2
4.7. Communication strategy	1
5. Logical Framework Quality	**9.5**
5.1. Project impact and results	2
5.2. Vertical logic	2
5.3. Horizontal logic	2
5.4. Baseline, intermediate and target values	2
5.5. SMART Indicators	2
5.6. Indicators are sex-disaggregated	1

5.7. Source, or means for collecting data	2
5.8. Risks/assumptions column of the logical framework	2
6. Risks	**8.8**
6.1. Experience and the skills of the executing agency	2
6.2. Risks identification	1
6.3. Mitigation measures	2
6.4. IDB environmental/social policies	2

TOTAL	**8.0**

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION MIF/DE- /16

Bahamas. Nonreimbursable Technical Cooperation ATN/ME-____-BH
REVITALIZATION OF THE SPONGING INDUSTRY

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with Bahamas Agricultural and Industrial Corporation, and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT-__ with respect to technical cooperation for the revitalization of the sponge industry.

2. That up to the amount of US$535,450 or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Multilateral Investment Fund.

3. That the above-mentioned sum is to be provided on a nonreimbursable basis.

(Adopted on_____2016)

LEG/NSG/IDBDOCS:39948672
BH-M1013