

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

THE BAHAMAS

SKILLS FOR CURRENT AND FUTURE JOBS IN THE BAHAMAS

(BH-L1037)

LOAN PROPOSAL

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REQUIRED
1. Pluriannual Execution Plan (PEP)
2. Monitoring and Evaluation Arrangements
3. Environmental and Social Management Report (ESMR)
4. Procurement Plan
5. Annual Operations Plan
OPTIONAL
1. Cost Benefit Analysis
2. Program Operations Manual (POM)
3. The Bahamas Skills Action Plan
4. Budget
5. Understanding Employers' Demands in the Bahamas and in New Providence
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ABBREVIATIONS

ALMP	Active Labor Market Policies
AOP	Annual Operating Plans
AP	Apprenticeship Programmes
BTVI	Bahamas Technical and Vocational Institute
COB	College of The Bahamas
CSJP	Citizen Security and Justice Programme
DEM	Development Effectiveness Matrix
DoL	Department of Labour, Ministry of Labour and National Insurance
DoS	Department of Statistics
EA	Executing Agency
EHS	Environmental Health and Safety
EIA	Environmental Impact Assessment
ESMP	Environmental and Social Management Plan
ESMR	Environmental and Social Management Report
ESA	Environmental and Social Analysis
ESS	Environmental and Social Strategy
FSO	Fund for Special Operations
GCI-9	Ninth General Capital Increase
GDP	Gross Domestic Product
GPN	General Procurement Notice
GoBH	Government of the Commonwealth of The Bahamas
IDB	Inter-American Development Bank
LAC	Latin America and the Caribbean
LEED	Leadership in Energy and Environmental Design
LISs	Labour intermediation services
LMIS	Labour Market Information System
MGF	Matching Grant Facilities
MLNI	Ministry of Labour and National Insurance
MOU	Memorandum of Understanding
MWUD	Ministry of Works and Urban Development
NSS	National Statistics System
NTA	National Training Agency
NVP	Net Present Values
OC	Ordinary Capital
OECD	Organization for Economic Co-operation and Development
OWS	Occupations and Wages Survey
PEP	Pluriannual Execution Plan
PES	Public Employment Services
PEU	Programme Executing Unit
POA	Plan of Activities
POD	Proposal for Operation Development

POM	Programme Operations Manual
PS	Permanent Secretary
PSAR	Private Sector Assessment Report
PSC	Programme Steering Committee
SI	Social Inclusion and Equality
SPF	Safeguard Policy Filter
SSC	Sector Skills Council
SSF	Safeguard Screening Form
UWI	The University of the West Indies
WAL	Weighted Average Life
WAPES	World Association of Public Employment Services
WEF	World Economic Forum
WPS	Wages and Productivity Survey

**PROJECT SUMMARY
THE BAHAMAS
SKILLS FOR CURRENT AND FUTURE JOBS IN THE BAHAMAS
(BH-L1037)**

Financial Terms and Conditions						
Borrower: The Commonwealth of The Bahamas			Flexible Financing Facility^(a)			
			Amortization Period:	24 years		
Executing Agencies: Ministry of Labor and National Insurance			Original WAL:	15.25 years		
			Disbursement Period:	6 years		
Source	Amount (in US\$ million)	%	Grace Period:	6.5 years		
IDB (OC):	25	50	Supervision and Inspection Fee:	^(b)		
Local:	25	50	Interest rate:	LIBOR based		
Total:	50	100	Credit Fee:	^(b)		
			Currency of Approval:	United States dollars chargeable to the Ordinary Capital		
Project at a Glance						
Project Objective/Description. The Programme will have the following specific objectives: (i) increase relevant skills and employability in productive jobs of programme beneficiaries; (ii) improve the effectiveness of the Public Employment Services; and (iii) enhance the capacity of the labour market's intelligence systems.						
Special contractual conditions prior to first disbursement: Prior to the first disbursement of the resources of the loan, the MLNI shall provide evidence that: (i) the PEU has been created within the structure of MLNI and that, at least, the programme coordinator, procurement specialist, and fiduciary specialist have been selected, pursuant to the terms of reference satisfactory to the Bank; (ii) the POM has been approved in the terms previously agreed with the Bank, including fiduciary management arrangements, Pluriannual Execution Plan (PEP), financial plan and execution plan; (iii) an agreement between the MLNI and the MWUD has been executed and entered into force, establishing the coordination aspects for the execution of Component 2 (see paragraph 3.3).						
Special Contractual Clauses of execution. Prior to execution of the activities of component 2 of the Program, the MLNI shall provide evidence that: (i) a revised Environmental and Social Management Plan (ESMP) included in an Environmental Impact Assessment (EIA) has been presented to the Bank for approval; and (ii) of compliance with the obligations established for such component in the POM and ESMR (see paragraph 3.4).						
Exceptions to Bank Policies. None.						
Strategic Alignment						
Challenges^(c):	SI	<input checked="" type="checkbox"/>	PI	<input checked="" type="checkbox"/>	EI	<input type="checkbox"/>
Cross-Cutting Themes^(d):	GD	<input type="checkbox"/>	CC	<input type="checkbox"/>	IC	<input type="checkbox"/>

^(a) 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.

^(b) 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.

^(c) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(d) 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 The global economic crisis in 2008 revealed structural weaknesses that have limited economic growth and increased vulnerability, especially in the labour market for Latin America and Caribbean (LAC) countries. For The Bahamas in particular, this vulnerability becomes evident through the country's high level of overall unemployment, even seven years after the crisis (14.8% in 2015)¹ - and a youth unemployment rate that is twice as high as that of adults (30% for people ages 15-24) and that has doubled since 2001.² Another issue made evident after the crisis is the relatively low levels of labour productivity³ that has decreased 1% on average between 2000 and 2011.⁴
- 1.2 From a labour markets perspective, there are three main binding factors that need to be addressed in order to lower unemployment levels and increase labour productivity: (i) skills shortages (ii) limited capacity of job-seekers to connect with opportunities in the labour market, and (iii) insufficient generation and use of labour market intelligence (LMI).⁵
- 1.3 **Skills shortages.** According to the results of the 2012 Wages and Productivity Survey, analysis of Labour Force Surveys, and in-country consultations,⁶ most employers in The Bahamas report difficulties finding workers with the right set of skills. Employers point to the lack of specific skills for the job as the most important recruitment obstacle (34%), followed by applicants' lack of experience (29%) and of soft skills (28%). Among the consequences of the lack of right skills for the job, 24% of respondents state that staff skill levels are a main obstacle to productivity, due to unsatisfactory performance, absenteeism, lack of responsibility and commitment to the job. Moreover, insufficient soft skills are also stated as the main cause of dismissals and turnover in firms (65% of firms). Despite this reality, more than half (53%) of the firms do not train their staff and for those that do, training is focused on productivity, sales and marketing with limited emphasis on developing soft-skills (Fazio and Pinder, 2014).⁷ The survey also shows that only three industries have over 15% of employees under the age of 25, consistent with the fact that younger workers are perceived with a lower level of soft skills found in several consultations. Across several consultations and qualitative analyses, one of the main explanations behind the skills shortage

¹ Department of Statistics Labour Force Survey (LFS) data corresponding to November 2015. Unemployment is still high, despite improvements in tourism-sector demand and output and on-going, large-scale public-sector and foreign investments linked to economic recovery in 2011. In 2015, female unemployment (13.2%) is slightly higher than unemployment in males (11.1%)

² Idem. According to World Bank Development Indicators 2014 data, four Caribbean countries (Jamaica, the Dominican Republic, the Bahamas and Barbados) face the region's highest youth unemployment rates (30.5%, 31.4%, 30.1% and 26.8%, respectively). This compares to 14% for LAC.

³ Measured as output per worker relative to US values.

⁴ Samuel, W (2013) based on World Economic Outlook.

⁵ This operation is limited to labour market interventions. There are a variety of other factors related to education, investment attraction, productive development, etc. that are outside of the scope of the loan.

⁶ See [Fazio, MV and E. Pinder \(2014\)](#).

⁷ The data is consistent with World Bank's Enterprise Surveys data (2011) for The Bahamas, which identifies that the top business environment obstacle for firms was the inadequately educated workforce (34.2%).

is the disconnection between the training provision and the private sector employers in The Bahamas, making training less pertinent and relevant for the labor demand side.⁸

1.4 Limited capacity of job-seekers to connect with labour market opportunities. The Ministry of Labour and National Insurance (MLNI), specifically within the Department of Labour (DoL), has limited capacity -in terms of infrastructure, coordination with the private sector, and qualified personnel- to systematically capture vacancies and be able to respond to the demands of employers by matching these vacancies to the pool of available workers. In terms of infrastructure, specifically, the DoL does not have adequate facilities and equipment to provide services to jobseekers in a suitable environment conducive to job placement. The DoL currently resides in a building that is not consistent with the 21st century public employment services (PES) environment that it envisions, whereby the unemployed can have access to high quality and well-targeted services that can help them find formal and productive job opportunities. This reduces the possibilities of employers to find the right talent and reinforces inequality of opportunities for workers who are obliged to search through their networks of contacts.⁹ In terms of private sector engagement, currently, the PES captures vacancies of only 12% of listed businesses¹⁰ and place about 2% of registered job-seekers, well below international best practices.¹¹ Finally, in terms of qualified personnel, the PES staff would benefit from receiving training on how to engage employers, optimize processes, and adequately attend vulnerable groups, especially youth.

1.5 Insufficient generation and use of LMI to inform decision-making. A third binding constraint to unemployment reduction and productivity increase is insufficient LMI¹² that can be effectively used for decision-making by a wide variety of stakeholders including policy-makers, youth, parents, educators, etc. While a variety of labour, economic and demographic statistics are produced in The Bahamas, they are of limited quality, which in statistical terms, refers to timeliness, reliability, accessibility and relevance of the information. One of the main areas where there are challenges in the production of LMI is in the generation of relevant data to understand employers' needs - currently and in the future. Another area relates to the need for continuous generation and analysis of labour market indicators to inform decisions at the individual and policy levels, including data disaggregated by gender, geography, sector, and occupation.

⁸ The shortage of skilled people is caused by i) a low educational basis, ii) low quality of courses - in terms of pertinence of content to employers' needs - , and low quantity of relevant courses. For details, see [OptionalE-link12](#).

⁹ In this scenario, job opportunities do not necessarily go to the better prepared or to those individuals who represent a better match with the vacancy but rather to the well connected, lowering the quality of the matches worker-jobs and with it, labor productivity.

¹⁰ This compares to 20% for 40% of PES in Europe that are in a similar stage of development as those of The Bahamas.

¹¹ The Bahamas' placement rate of 2% compares to the LAC regional average of 27.1% corresponding to the average of 2013 figures for Honduras, Jamaica, Peru, The Bahamas, Mexico, Brazil, Nicaragua, Barbados, Guatemala, Guyana, and Ecuador. In the Caribbean, some comparator figures are 11% for Jamaica and 25.7% for Barbados.

¹² The lack of LMI is related to (i) coordination problems - each agency collects its own data, which is in turn not publically accessible for the DoS to be able to centralize and analyze it; (ii) lack of institutional capacity in terms of software/hardware; and (iii) technical capacity in terms of trained staff and available statistical instruments.

According to the PSAR (2014), industry and training institutions need mechanisms in order to improve information about labour supply and demand and to facilitate the hiring of new graduates.

- 1.6 Addressing these three issues requires combining the best practices in three labor market policy areas: First, skills development programmes (including short-term training programmes¹³ and longer-term pre-apprenticeship and apprenticeship programmes) have proven effective to address skills shortages while increasing beneficiaries' employability and productivity, and thus their probability of employment. The evidence for the region suggests overall that training programmes tend to have better results when they are longer than four months (Card et al, 2015) and when they incorporate key elements considered successful in the literature including: (i) participation from private providers, (ii) demand-driven orientation, (iii) an important component of vocational orientation and/or labour intermediation, (iv) emphasis on on-the-job training, (v) and financial incentives to employers (subsidies for the on-the-job training phase) and to beneficiaries (stipends to facilitate their participation) (Fares and Puerto, 2009; González-Velosa, Ripani and Rosas-Shady, 2012; Urzúa and Puentes, 2010; Berniell y de la Mata, 2016).
- 1.7 **Apprenticeship Programmes (AP)**¹⁴ are well placed to deal with skill shortages.¹⁵ AP are “jobs that include structured on-the-job training combined with a share of related technical off-the-job training, to learn a skilled occupation that is certified and industry recognized” (Fazio et al., 2016 forthcoming). Evidence indicates that countries with AP have lower rates and duration of youth unemployment (Quintini and Manfredi 2009; Quintini, Martin and Martin, 2007).¹⁶
- 1.8 **Pre-apprenticeship Programmes** provide a bridge for those who are not yet ready to participate in APs. Pre-apprenticeships, are short-term duration programmes (less than a year), and are considered part of the AP, as they provide basic employability, soft¹⁷ and functional skills and work experience to prepare individuals to be employed as an apprentice or in some cases, to directly enter an entry-level job (Fazio et al., 2016). Pre-apprenticeships normally feature a classroom and/or lab setting, but may also involve worksite visits, internships, job-shadowing, or other activities outside the programme's facility, to provide exposure to the work environment for the targeted occupation(s). The model for pre-apprenticeship training varies depending on the targeted group recruited for training. The different models include both out-of-school and in-school youth, but also adults that may need support in strengthening their skills training to find a new job.
- 1.9 One of the key elements of success of both AP and Pre-apprenticeships is the active role that employers play in their design and delivery, specifically in identifying skills needs and subsequently defining occupational standards and

¹³ For more information on short term programs, see [OptionalE-Link9](#).

¹⁴ For apprenticeships, see [OptionalE-Link7](#).

¹⁵ See [OptionalE-Link9](#).

¹⁶ For more information about the impact of apprenticeship programs, their occupations spectrum, and some examples of programs that incorporated strategies to include more women in the apprenticeship programs, see [OptionalE-Link9](#).

¹⁷ For more information about the importance of training on soft skills, see [OptionalE-Link10](#).

shaping curricula, among other functions. Many developed countries have ensured employer participation through the development of Sector Skills Councils (SSC), entities that represent employers in a coherent and acknowledged sector of the business community. In countries like the United Kingdom, there has been great emphasis on creating this type of institutional structures, which have also played an important role in ensuring programmes' quality assurance by setting assessment methodologies' for the apprentice.

- 1.10 Prioritizing public funding for skills development and having clearly defined financing mechanisms is critical to ensure the success of skills development systems. This entails the development of sustainable funding models to allow a significant expansion of vocational education and skills where employers are making a fair contribution to the cost of skills development. Furthermore, it implies the establishment of clear guidelines for young people to have equitable access to financial support to help cover the costs of their learning. Matching Grant Facilities (MGF)¹⁸ can provide a good platform for firms within pre-selected sectors to submit their training proposals for apprentices and to ensure the cost-sharing of the resources provided by the project and those provided by the firm. The MGF intend to enhance credibility and interaction in public-private programmes, reducing bureaucracy by shortening response times. They seek to establish transparent, credible and quick-response mechanisms addressing firms' needs with clear financial guidelines for the management of funds.
- 1.11 Second, Labour Intermediation Services (LISs), and PES have been empirically shown to be a cost-effective way of bringing job-seekers and jobs together as they reduce job search costs for job-seekers and recruitment costs for employers by closing information gaps between the demand and supply of labour (Card, Kluge and Weber, 2015, 2010). These types of services help the unemployed find jobs with higher incomes relative to those using other search methods (Flores Lima, 2010), increase the probability of finding work (Pignatti, 2016), and improve earnings for workers with worse prospects in the labour market who use them vs. those who use informal methods (Van den Berg and Van der Klaauw, 2006; Dolton and O'Neill, 1996).¹⁹
- 1.12 Institutional strengthening of PES and of the Ministries of Labour under which they are typically housed, could also contribute to strengthening the quality of the delivery of their services. Evidence shows that differences in capital accumulation, productivity, and therefore output per worker within organizations are driven by differences in institutions and government policies, called social infrastructure (Hall and Jones, 1999). Implementing the right institutional reforms in key labour market institutions (including changes in infrastructure, hardware and software) could reduce job destruction and shorten unemployment spells (Blanchard and Wolfers, 1999, Blanchard, 1998, Nickell et al, 2002, Shimer, 2007, Perez and Yao Yao). One of the institutional reforms that showed positive impacts in terms of efficiency gains has been the design and implementation of one-stop-shop centers, where job brokerage, ALMPs, and the administration of

¹⁸ The design of the MGF and its process manuals will be funded with BH-T1051, [ATN/OC-15708-BH](#) in execution. The BH-L1037 will fund its implementation for the Apprenticeship Programme described in Component 1.

¹⁹ For evaluations and effectiveness of PES, see [OptionalE-Link7](#).

unemployment benefits are integrated (OECD, 2015). In the case of PES, the management model based on the one-stop-shops has been implemented in developed countries, as it enables a more efficient service to be delivered (Mazza, 2011). Peru and Mexico are pioneers in the integration of this type of service in LAC.²⁰

- 1.13 High quality LMI is used to promote the delivery and take-up of relevant skills. The availability of timely, adequate, and user-friendly LMI can help fulfill several objectives, including: (i) inform policy decisions about priority skills needs and thus the types of policies, programmes, and targeting (in terms of age, gender, sectors, occupations, and other characteristics) necessary to reduce unemployment and increase labour productivity levels; (ii) help training providers and the education system to have a clear basis for developing and adapting their provision and responding to the changing labour market; (iii) guide young people and their parents on decisions about career paths, jobs, education and training, and support to pursue contingent upon what skills are on demand;²¹ and (iv) assist employers in making better and more inclusive hiring and training decisions. Data has the most value when its analysis and interpretation can truly convert LMI into useful "intelligence" about the labour market and its implications (UKCES, 2014) and real action can be taken in response to the information produced (Laxminarayan and Macauley, 2012).
- 1.14 In order to address its skills shortage, the country has recently advanced in designing and launching a public initiative called the National Training Agency (NTA), which works mostly with the unemployed population, in many cases for their placement into first job positions. The programme, certified and assessed by City and Guilds, has presence in New Providence, Grand Bahama, Exuma and Eleuthera. Vocational skills development in The Bahamas has also been supported by the Bahamas Technical and Vocational Institute (BTVI). The BTVI is the country's main technical and vocational training provider whose facilities are located in Nassau and Grand Bahama. It delivers occupational training to young high school graduates, non-completers, and adults. The Bahamas has put in place governance mechanisms to support the delivery of the pre-apprenticeship and apprenticeship programmes. The Apprenticeship Act of The Bahamas, which is the legal framework to regulate apprenticeships nationally, came into effect on January 1, 1983²². Any new programme needs to be underpinned by an amended version of the Apprenticeship Act.²³
- 1.15 The Bahamas' Public Employment Service under the MLNI has made advances in the last few years, implementing the one-stop-shop model and enhancing its capacity to effectively deliver services. A first phase of strengthening of the PES is currently underway within the scope of the IDB-funded Citizen Security and Justice Programme (CSJP) 3499/OC-BH, BH-L1033.²⁴ This support encompasses capacity building of the PES, which will include enhancements to

²⁰ The IDB has been supporting one-stop-shop service centers for the delivery of PES through several projects (e.g., for Peru (PE-L1152) and Mexico (ME-L1004)).

²¹ For further evidence on LMI, see optional [OptionalE-Link7](#).

²² For information on skills development and Apprenticeship Act, see [OptionalE-Link7](#).

²³ GoBH has expressed that initial work for the Apprenticeship Programme can be started via an MOU while an amended version of the Act is approved. This is a condition prior to first disbursement.

²⁴ See Note 1, [OptionalE-Link16](#).

the Electronic Labour Exchange (employment portal), staff training, engagement of employers, refurbishing of PES offices, and development of youth-targeted services (an initial assessment study of the existing PES will precede these activities). Currently, however, one of its major challenges remains being the physical infrastructure that houses the DoL, where the flagship one-stop-shop is housed. The original infrastructure (Clarence A. Bain Building built in 1974) has been declared unfit to operate in, as the needs of the PES have outgrown it, and its ability to service its clients. Moreover, the current building does not fit the minimum criteria necessary to install and develop a one-stop-shop center that represents a major step forward towards a modern job placement system.

- 1.16 The Bahamas' Labour Market Information System (LMIS) currently relies upon three main instruments to capture LMI: (i) the Labour Force Survey, conducted every 6 months; (ii) the Occupations and Wages Survey (OWS) conducted every 4 years; and (iii) the Wages and Productivity Survey (WPS),²⁵ a more comprehensive version of the OWS developed in 2012, and whose analysis captures firms' skill needs, difficulties in hiring and training practices. In terms of data generation, there is a clear opportunity for improvement in terms of: (i) consolidating and harmonizing a sole database that allows to track key labour market indicators; (ii) strengthening and continued production of the 2012 WPS, at least every two years; and (iii) greater coordination among national entities that gather independent statistics, which can also contribute to a better understanding of the country's current labour market situation. For example, the Department of Immigration collects worker permit data that could help deepen the Government of The Bahamas' understanding of the country's skill gaps, but that currently is not used to that end.²⁶ On the other hand, in regards to data use, there is a need to strengthen the Department of Statistics' (DoS) capacity to better communicate the generated LMI to different stakeholders, from individuals and employers to policy-makers. According to the Bahamas PSAR (2014), the paucity of timely labour data prevents the private sector from gaining a clear picture of both how many workers are available for each sector as well as how many workers are needed for each of them.
- 1.17 **Justification.** To address the skills shortage in The Bahamas, enhance its capacity to connect job-seekers to employers, and strengthen the generation and productive use of LMI, the GoBH has asked for additional technical and financial support from the Bank. This will be achieved, respectively, by: (i) the implementation of a pre-apprenticeships and apprenticeships program and establishment of sector skills councils to identify sector skills needs and articulate with training providers; (ii) strengthening the Department of Labour through modernization of its services, capacity building, and infrastructure improvements; and (iii) supporting the country's labour market information system and increasing the labour sector's data collection and forecasting capacity. This support is aligned with the GoBH's priority to reduce the levels of unemployment and more specifically, to improve alignment between the labour supply and the needs of employers and increase integration of private sector needs to training

²⁵ The 2012 WPS was conducted collaboratively between DOS and the IDB. It is the first survey to collect information on critical issues from the perspective of the employers in The Bahamas and for most economic sectors. It is the first to quantify data on skills needs and training practices for most industries in the country.

²⁶ According to the 2012 WPS, 34% of surveyed firms from different industries hire foreign labour.

programmes and job placement services. Moreover, the private sector, through The Bahamas PSAR (2014) identifies key challenges to private-sector development, specifically emphasizing the importance of solving the challenge of workforce skills, which this loan centrally addresses.

1.18 **Bank activities in the sector.** The Bank has been actively supporting the GoBH in achieving a better understanding of its labour market challenges and specifically of employers' skills demands from different sectors through the analysis of the 2012 WPS.²⁷ It is also currently working with the GoBH in the implementation of social investments through the Citizen Security and Justice Programme 3499/OC-BH, BH-L1033. The aforementioned programme's labour market component is complementary to the areas of intervention of the programme under consideration, and has as its objective to increase employability of the at-risk youth population focused on disadvantaged communities in New Providence only²⁸, and to strengthen the country's PES to serve young people. Finally, the IDB continues to offer advisory services through technical cooperation operations, which: (i) identify training and skills needs (BH-T1021, ATN/OC-12597-BH); (ii) design a roadmap and action plan for reform of its skills development system (RG-T2611, ATN/KP-15014-RG);²⁹ and (iii) support labour markets and skills development with a special emphasis on capacity and institution (BH-T1035, ATN/OC-14040-BH).

1.19 **Lessons learned.** This operation promotes sustainable, systemic level changes necessary for consolidating a robust skills development system. It highlights the importance of establishing mechanisms that articulate the labour market's supply and demand ensuring the quality and pertinence of skills training in The Bahamas. As a catalyst for broader systemic transformation, this operation takes into consideration valuable lessons learned through the Bank's support in other LAC countries: (i) the development of training programmes -including those that share characteristics with apprenticeships- to improve youth employability and employment prospects; (ii) their PES modernization;³⁰ and (iii) the strengthening of their LMIS.³¹ Among the main lessons learned considered in the operation design: Component 1, (i) identify barriers to participation in employment programmes; (ii) promote profiling systems to ensure that people receive the right level of service for employment access; (iii) establish appropriate performance targets, including special targets for vulnerable groups; (iv) build public-private partnerships (PPPs) for access to formal employment and employability; and (v) design projects with clear results and flexible operation schemes. Another important lesson is to accompany investment in training programmes with parallel investments to establish or reinforce employer engagement, curricula development, quality assurance and cost-sharing mechanisms.³² For Component 2, (i) invest in the conditions of success; and (ii) strengthen the capacities of the employment service, employees and training

²⁷ [Fazio, MV and E. Pinder \(2014\).](#)

²⁸ See Note 2 [OptionalE-Link16.](#)

²⁹ A TransFormation "Skills for Work" high-level forum brought together stakeholders from different sectors to set a vision for the future of skills in The Bahamas. See <http://habilidadesyproductividad.org/en/>.

³⁰ For example, the Bank has recently developed projects oriented to strengthening PES of Chile (CH-L1024, 1882/OC-CH), Mexico (ME-L1004, 1936/OC-PE), and the Dominican Republic (DR-L1036, 2546/OC-DR).

³¹ See Barbados (BA-L1032), which recently started its execution.

³² Fieldsend, 2016.

instructors. For Component 3, (i) working together with other areas of the Bank, because it generates scale economies and promotes better results (BH-L1035 is also supporting the DoS) and (ii) invest in performance management systems.

1.20 Furthermore, the Bank has been supporting for several years the development of labour market programmes in The Bahamas. This operation represents the continuation of this support. Among the specific lessons learned, per component, are: for Component 1, (i) the importance of engaging the private sector in the definition of training needs (BH-T1021); (ii) the importance of knowledge generation for sectoral dialogue and technical support (RG-T2611, BH-T1035 and BH-T1021); and (iii) the value-added of working with other teams of the Bank (e.g., the Citizen Security team) to reach broader audiences in the country and deepen the impact of labour market interventions 3499/OC-BH (BH-L1033).³³ For Component 2, (i) the importance of addressing both hard and soft infrastructure³⁴ challenges for the strengthening of the PES (BH-L1033); and for Component 3, (ii) the advantages of working in liaison with the DoS to generate labour market information (BH-T1021). The lessons learned from international evidence summarized in par. 1.6-1.13 were also considered in the programme's design.

1.21 **Programme's strategic alignment.** The programme is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is aligned with the development challenge(s) of: (i) social inclusion and equality by increasing access and use of employment services and diminishing inequities in the labor markets; and (ii) productivity and innovation, by increasing the quality, access and use labor training, and life-long skills development, and labor intermediation services, specifically for inserting youth, and the unskilled into the workforce. Additionally, the programme is aligned with the Corporate Results Framework (CRF) 2016-2019 (GN-2727-6) Country Development Results by: (#13) "Number of beneficiaries of on-the-job training programs" through programme's result indicator 4 and 5 of the Results Matrix "Number of participants certified" by both the pre-apprenticeship and apprenticeship programme. The program is also aligned with the priorities of the sector strategy "Social Policy for Equity and Productivity" (GN-2588-4) by: Individuals (all, men, women, youth) benefited from programs to promote higher labor market productivity. The programme is consistent with the private sector development priority area of the IDB Country Strategy (CS) with The Bahamas (2013-2017) (GN-2731) and the IDB Sector Framework Document for Labor (GN-2741-3). It contributes to the goal of CS to improve alignment between the labor supply and the needs of employers (strategic objective 4.4). At SFD level, it is consistent with two dimensions: (i) workers and companies have access to relevant and cost-effective workforce training mechanisms; and (ii) the region's young people, the unemployed, underemployed or hard-to-employ make the transition to work faster, more effectively, and with better earnings prospects.

1.22 **Coordination.** The Office of the Prime Minister has recently (2016) launched the National Employment Programme (NEP), which aims to bring together the different stakeholders that are involved in improving the employment

³³ See Note 3 in [OptionalE-Link16](#).

³⁴ Hard challenges refer to physical infrastructure challenges that institutions like the DoL face, whereas soft challenges refer to less tangible, but equally important, aspects such as human resource schemes, training needs, and performance management systems, among others.

opportunities of Bahamians with the purpose of coordinating efforts, identifying gaps, and setting a national employment agenda.³⁵ The activities contemplated under this programme are complementary to those being undertaken by other actors and organizations in the country, including those that are in the process of carrying out on-the-job training programmes, namely the Grand Bahama Shipyard Programme and the Baker's Bay Construction Programme in Abaco.³⁶

B. Objective, Components and Cost

1.23 **Objectives.** This operation will increase employability and quality of employment of beneficiaries of the programme, by improving access to quality jobs in the Bahamas, especially for youth.³⁷ The specific objectives are to: (i) increase relevant skills and employability in productive jobs of programme beneficiaries; (ii) improve the effectiveness of the PES; and (iii) enhance the capacity of the labour market's intelligence system. The expected results respond to the specific objectives through the following three components:

1.24 **Component 1: Pre-apprenticeships + Apprenticeships Programme + Sector Skills Councils (US\$10 million).**³⁸ This component is targeted to the unemployed and school leavers³⁹ between the ages of 16-40 years.⁴⁰ The component will seek to fulfill two main objectives: first, to increase the relevant skills and employability of workers, and their probability of employment in three strategic sectors (maritime, medical services, and IT/telecommunications)⁴¹ for the economy; and second, to promote communication between employers and training providers in these sectors in terms of skills needs, so as to ensure the development of a programme that promotes relevant skills and higher labour market productivity. Additional to Bank funding (US\$10 million), the GoBH will allocate US\$12.3 million as local counterpart to complement activities within the AP for a total of US\$22.3 million for this component. Specifically, the component will finance:

- i. Expand the job-readiness Pre-apprenticeship Programme for 1,100 beneficiaries,⁴² making use of the existing capacity of the NTA, to provide technical and soft skills training. Beneficiaries from the pre-apprenticeship programme will feed into the AP. The NTA offers preparatory training on soft skills and practical skills to young people between the ages

³⁵ The NEP will take part of the Steering Committee for the AP.

³⁶ See [OptionalE-Link11](#).

³⁷ Quality jobs i refers to formal jobs that are regulated by a written employment contract through which employees, under the Bahamian Law, receive benefits and protections (social security, paid annual leave and sick leave).

³⁸ The total number of beneficiaries for this component (2,450) represents around 9% of the total unemployed population based on own calculations from the 2014 Labour Force Survey.

³⁹ It is expected that half of the programme's beneficiaries will be women. Women often suffer from occupational and sectorial segregation, which affects the degree to which they can benefit from training programmes like those of apprenticeships (Ryan, 1998).

⁴⁰ The target population for the project, defined through consultations with stakeholders, includes youth and young adults (16-40) to broaden the scope of the programme. It is expected that the majority of individuals will be in the range of youth 16-29 years of age.

⁴¹ See [OptionalE-Link11](#).

⁴² Youth 16-29 years of age. Beneficiaries will be selected based on the NTA's existing selection criteria and process.

of 16-26 years old with demonstrated ability to undertake the training in terms of reading, writing and basic arithmetic skills. The preparatory training program consists of a 16-week program divided into: (a) 4 weeks of certified soft skills training (“Mandatory Workforce Preparatory Program); (b) 10 weeks of practical skills training with workplace scenarios (“Vocational Training”) certified mostly by the City and Guilds agency that is equivalent to level 1 training in the English Qualification framework) and (c) 2 to-4 weeks internship in a firm. For each phase there is a rigorous control of absenteeism and practical tests upon completion to assess the acquired competencies of students. Core criteria for accepting trainees include: (i) a Bahamian Citizen with limited or no academics certification or work experience; (ii) must be between the ages of 16–26; (iii) trainee possesses the necessary competencies and skills to undertake the training, in particular reading, writing, and basic arithmetic; (iv) methods the program uses to ensure that trainees are given every opportunity to satisfactorily complete training (each applicant will be assessed by an Assessment Officer); and (v) review and compliance with any medical clearance policy, as necessary (e.g. Food Handlers’ Certificate).

- ii. Establish a nation-wide Apprenticeship Programme that will consist of on-the-job (80%) plus off-the-job (20%) training for 12 months for 1,350 beneficiaries⁴³ that either have: (a) successfully completed the Pre-apprenticeship programme; or (b) proven to have the necessary skills to enter the AP. The AP will also help consolidate a network of off-the-job training providers, using the existing capacity of well-established institutions such as BTVI and other public and private training bodies. Some of the costs related to the on-the-job training portion will be covered directly by participating firms, while the loan will provide support for small and medium enterprises within the selected sectors and with a minimum structure to take on an apprentice with structured training. The off-the-job training, will be financed by the GoBH local counterpart. GoBH local counterpart will also finance a portion (50%) of the apprentice wage stipend for 1,350 apprentices.⁴⁴ Firms’ eligibility will depend on: (i) adherence to prioritized sectors, (ii) commitment to co-finance 50% of the wage stipend; and (iii) commitment to dedicate staff time and resources to monitor and assess apprentice’s progress throughout the duration of the apprenticeship.
- iii. Establish three employer-led SSC that will: (a) identify skill needs in particular industries; (b) develop relevant curricula based on those needs; and (c) set quality assurance mechanisms for training (assessment and certification standards).⁴⁵ In order to properly implement the structure for a demand-driven apprenticeship, the establishment of SSC in prioritized sectors will establish the mechanism to successfully identify employers' skill

⁴³ Includes youth and young adults (16-40).

⁴⁴ Apprentices will receive a wage stipend funded 50% by the programme (GoBH funding) and 50% by employer. The amount of the apprentice wage stipend will be established by the Apprenticeship Board. The calculations for design purposes are based on a minimum wage of US\$210 per week (US\$840 per month) for the duration of the Apprenticeship Programme (12 months) in addition to US\$150 per month for supervisors providing training. The total/apprentice is US\$10,080 (Minimum wage US\$840 x 12) + US\$1,800 (supervisors for training \$150 per person/month).

⁴⁵ For methods of assessment & certification, see optional [OptionalE-Link7](#).

needs and thus ensure that training is relevant to the labour market's needs. The main functions of a Council will be to collect LMI on the skills needs of employers, develop related occupational standards and suitable curricula, propose adequate assessment methods and provide the required inputs and coordinate activities for robust quality assurance processes. The SSC will generate information on skill needs and take operational responsibility for the technical work in delivering relevant programmes, including agreeing standards and training frameworks. An MOU or a process manual will be agreed upon between the MLNI and each SSC once a governance structure has been established to carry out the activities throughout the project life.

- iv. Operationalize a Matching Grant Facility (MGF) as a financing mechanism for the GoBH to put in place an AP directly linked with the participant firms providing apprenticeship training. To be able to objectively select firms to be part of the AP, a MGF should be developed, adjusting it to be able to capture skills demands, and preserve equity of access for firms of different sizes. Its main objective will be to support the MLNI, and private sector stakeholders in establishing the framework for a demand-driven AP. The MGF will be a mechanism that will be able to: (i) capture specific skills needs of the private sector; (ii) evaluate proposals; and (iii) assign the support for training of people in firms. This component will also finance a communications strategy to engage stakeholders throughout the implementation of the pre-apprenticeship and APs.⁴⁶

1.25 **Component 2: Promoting better job matching (US\$11.8 million).** This component will support the modernization of labour intermediation services. Improvements in software, hardware, and infrastructure will help to provide targeted quality services to the unemployed (with special emphasis on youth services) and more closely engage with employers within a 21st century setting promoting a better placement of the job-seekers and a better match with employers. Currently, the DoL is promoting the concept of one-stop-shops, where its clients receive centralized information about the array of services available to improve their prospects of employment. This component will finance the construction of a LEED⁴⁷ certified 43,500 sq. ft. area of a new building to house the DoL⁴⁸ and the country's "flagship" one-stop-shop center that will serve as the national standard for other islands' one-stop-shops, and to provide a new, modernized,⁴⁹ and LEED certified environment best suited to the needs of job-seekers.⁵⁰ This component complements institutional strengthening actions of the Public Employment Service in the Bahamas, financed by the Citizen Security and Justice Programme 3499/OC-BH, BH-L1033. The establishment of a one-stop-shop highlights the GoBH strong commitment to promote employment opportunities and successful career paths through the modernization and transformation of its PES. This commitment becomes evident through the efforts taken by the GoBH to improve performance of its PES by increasing their

⁴⁶ See [OptionalE-Link14](#).

⁴⁷ See [OptionalE-Link13](#).

⁴⁸ The project contemplates the demolition of the Clearance A. Bain Building, and builds new LEED facility on site - which is government owned land. There will be no acquisition of land.

⁴⁹ The construction (procurement process) will contemplate including purchase of hardware, based on technical assessments (IT) for a possible turn-key delivery.

⁵⁰ The LEED building will improve the environment conditions of the DoL staff.

institutional capacity, and the provision of quality services adapted to the current and future needs of the labour market. The design of the new building facility will consider spaces for childcare services/nursing for women to use when they visit for the one-stop-shop center services.

- 1.26 Additional to Bank funding (US\$11.8 million), the GoBH will allocate US\$12.7 million as local counterpart to complement the funding of the new infrastructure to modernize labour intermediation services to promote better job matching for a total of US\$24.5 million.
- 1.27 **Component 3: Labour markets information system (US\$0.9 million).** The objective of this component is to contribute to the development of a robust LMIS by coordinating efforts of different government agencies involved in collecting LMI data that help monitor the country's labour market's performance. This component will particularly seek to strengthen the Department of Statistics' (DoS) capacity to make use of this LMI to (i) deliver useful information on both the demand side (through employers' surveys and data on work permits from the Department of Immigration) and supply side (through information on training provision and number of graduates); and (ii) process and disseminate it in ways that will be useful for evidence-based decision-making for job-seekers, employers, and the GoBH, such as guiding the training system to train in relevant skills (e.g. skills in high demand by employers). These efforts will complement those of an existing project financed by the IDB⁵¹ that aims to strengthen the institutional capacity of the National Statistics System (NSS) and provide the DoS with the technical and institutional tools to coordinate, direct, and regulate the NSS. This component will finance: (i) a technical assessment of the current LMIS and software/hardware needs of ministries and related agencies; (ii) refinement of the design and application of the Employer Survey; (iii) data harmonization framework; (iv) set up, testing and maintenance of an LMIS dashboard to communicate LMI information to the general public; and (v) training for staff.
- 1.28 In terms of mainstreaming gender issues, the programme will take several measures to (i) encourage female participation in apprenticeships (empirical studies suggest that overall females have lower entry rates than males in apprenticeships), (ii) encourage female participation in non-traditional occupations, and (iii) systematize gender considerations into data analysis. For strategies to include more women in the apprenticeship program, see [OptionalE-Link9](#).
- 1.29 **Cost.** The total cost of this operation is US\$50 million, of which US\$25 million (50%) will come from the resources of Ordinary Capital (OC) of the Inter-American Development Bank (IDB) and US\$25 million (50%) from funds of the Government of The Commonwealth of The Bahamas (GoBH) as local counterpart.

⁵¹ Public Financial Management and Performance Monitoring Reform (BH-L1035). Component 2 (US\$3 million) strengthens the capacity of the DoS and other agencies that collect data to produce quality statistics.

Table 1: Programme Cost (US\$)

Component	IDB	GoBH	Total Funding
Component 1 Apprenticeship Programme	10,033,950	12,300,000	22,333,950
Component 2 Promoting Better Job Matching	11,800,000	12,700,000	24,500,000
Component 3 Labor Force Information System	900,000	-	900,000
Administration, Monitoring and Evaluation	2,000,000	-	2,000,000
Audits & contingencies ⁵²	266,050	-	266,050
TOTAL	25,000,000	25,000,000	50,000,000

C. Key Results Indicators

- 1.30 As Indicated in the Results Matrix (Annex II), the expected impact of the programme will be to increase employability and quality of employment of beneficiaries of the programme, improving access to quality jobs in The Bahamas, especially for youth. The expected impacts will be measured through an experimental impact evaluation by comparing employment rate, formality and earnings of individuals in the treatment and control groups of the Apprenticeship Programme. The expected results will be: (i) 5 pp difference employment rate *between the treatment and the control group; (ii) 10 pp difference between people with written contract*; (iii) 20% difference earnings*; (iv) at least 990 participants certified by the Pre-apprenticeship; (v) at least 1,215 participants certified by the Apprenticeship; (vi) a skills assessment index differential of 0.1 SD; (vii) a 18% PES job placement rate; and (viii) 75 dashboard consultations made by the different public and private stakeholders. Expected results 1, 2, 3 and 6 will be measured through an experimental evaluation comparing a treatment and control groups.
- 1.31 An ex-ante Cost-Benefit Analysis of the main elements of the programme was conducted for the project evidencing its economic feasibility.⁵³ The Net Present Value (NPV) calculated with a 12% discount rate for twenty years amount to US\$54.5 million dollars, delivering a positive return rate of 22%. The overall results are sensitive to variations from a number of variables (for example, variations on the employment rate of the beneficiaries for Component 1, the expected wage of the beneficiaries of Component 1, the placement rate of the PES services in Component 2, or an over-cost on the construction of the building in the same component). A break-even analysis was also included.

⁵² For further details, see Detailed Budget Annex. Contingencies considered in relation to construction (component 2).

⁵³ See [Economic Analysis](#) (cost-benefit).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 The amount of this specific investment program is estimated in US\$50 million, of which US\$25 million will be financed from the resources of Ordinary Capital (OC) of the Bank and US\$25 million will be financed from the local counterpart resources of the GoBH.
- 2.2 The programme has a six-year disbursement period given the timeline required to fully complete activities in component 2. Table 2 provides a breakdown by source of financing.

Table 2: Disbursements by year (US\$ millions)

Funding	Total Approved	2017	2018	2019	2020	2021	2022
IDB	25	0.9	4.8	6.9	6.2	5.0	1.1
GoBH	25	1.6	5.3	5.2	5.2	5.2	2.6
Total	50	2.5	10.1	12.1	11.4	10.2	3.7

B. Environmental and Social Safeguard Risks

- 2.3 This programme does not include activities that could generate a significant negative social or environmental impact. According to the Bank's Environment Safeguards Compliance Policy (OP-703) guidelines, this operation has been classified as Category "B" with low risk in terms of environmental and social impacts.⁵⁴ The main risk identified in the ESMR is in relation to Natural Disasters, which includes coastal and inland flooding, storm surge and sea level rise. To mitigate for sea level rise, construction will entail elevated foundations. The Environmental and Social Analysis (ESA) has been developed and disclosed properly according to the OP-102.
- 2.4 The programme triggers some of the IDB's Environment and Social Safeguards policies and directives: Access to Information Policy (OP-102), and Environmental Safeguards Policy (OP-703), specifically the following Directives: B.2 (Country Laws and Regulations), B.3 (Screening and Classification), B.4 (Other risks factors), B.5 (Environmental Assessment Requirements), B.6 (Consultations), and B.7 (Supervision and Compliance). The project does not involve physical or economic displacement of beneficiaries nor is it foreseen, or planned as part of this project; hence OP-710 (Involuntary Resettlement) is not applicable. Annex IV summarizes how the project meets and/or will meet the requirements of the IDB's Safeguard Policies and Directives.

C. Fiduciary Risk

- 2.5 Based on the IDB's Institutional Capacity Assessment of the MLNI, the programme has a medium fiduciary risk. The risks are delays in procurement and

⁵⁴ For risks and mitigation measures see the [ESMR](#).

financial reporting due to limited experience applying IDB policies and procedures with possible delays on the contract to build the infrastructure under component 2. These risks will be mitigated by: (i) hiring a PEU procurement and financial specialist; (ii) drafting of the operations manual as a prior condition to first disbursement; and (iii) review the status of the process of vacating the Building, get required permits to demolish and build, appoint formal counterpart in the MWUD. Assessment of the MWUD was not deemed necessary as this ministry is a recurrent client and is currently executing other projects.

D. Other Key Issues and Risks

- 2.6 **Risks and mitigation measures.** A risk analysis workshop was held with project stakeholders, during which of the six key risks identified, one was rated as "medium" and three were rated as "high". The programme's overall risk rating is high. The risks considered as "high" are: (i) delays in Cabinet Approval; (ii) perception of duplication in relation to other programmes in the country; (iii) delays in the implementation of the LMIS. These risks will be mitigated by: (i) keep Cabinet informed and present programme to Cabinet upon Board approval; (ii) design and implementation of Communication strategy with public, private sector, and stakeholders, workshops between stakeholders; (iii) consultants hired to do the assessment of LMIS. The Medium risk is due to inadequate budget. This risk will be mitigated by the Finance Officer, who will follow procedures to get the budget. In regards to possible cost increases during the operation for component 2, contingency funds have been allocated in programme costs. Furthermore, the GoBH will have the responsibility of operation and maintenance of the financed assets and associated recurring expenses during program execution and after its finalization.
- 2.7 **Sustainability.** The Skills for Current and Future Jobs is The Bahamas' first major investment, with IDB support, is to establish the framework for demand-driven Apprenticeship Programme and indicates the country's commitment to invest in the sector. As part of the programme's final evaluation, measures to ensure apprenticeship programme sustainability will be recommended. The loan funds the fixed costs to develop the necessary governance structure, measurability and a monitoring and evaluation framework to support the key interventions, namely the quality assurance mechanisms and the MIS, which makes it feasible for GoBH to continue investment in the Apprenticeship Programme.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1 **Borrower and Executing Agency.** The Borrower is GoBH and the Executing Agency will be the Ministry of Labour and National Insurance (MLNI). The Programme Executing Unit (PEU) will be created within the structure of MLNI. Coordination aspects for the infrastructure activities included in Component 2 will be established by means of an agreement to be signed between MLNI and Ministry of Works and Urban Development (MWUD) and detailed in the Program Operating Manual. The MWUD will provide technical guidance for the

infrastructure specifications contemplated in component 2 and shall assist the MLNI in the technical supervision of the works throughout the execution of the programme.

- 3.2 **Execution and Administration.** The Permanent Secretary (PS) of the MLNI will provide strategic direction, and technical oversight of the programme and the PEU. A Programme Steering Committee (PSC) could be established to ensure coordination among Government agencies and oversee/guide programme implementation. Ultimate responsibility for the programme *vis-a-vis* the Bank, including the approval of Annual Work/Operation Plans, progress reports, financial reports and internal evaluations, rests with the PS of the MLNI, meaning the highest-ranking person that officially represents the PEU in all acts related to the implementation of the project and for whom the Bank has copies of his or her signature on file.
- 3.3 **As special contractual conditions prior to the first disbursement of the resources of the loan, the MLNI shall provide evidence that: (i) the PEU has been created within the structure of MLNI and that, at least, the Programme coordinator, procurement specialist, and fiduciary specialist have been selected, pursuant to the terms of reference satisfactory to the Bank; (ii) the POM has been approved in the terms previously agreed with the Bank, including fiduciary management arrangements, Pluriannual Execution Plan (PEP), financial plan and execution plan; (iii) an agreement between the MLNI and the MWUD has been executed and entered into force, establishing the coordination aspects for the execution of Component 2.**
- 3.3 **Special Contractual Clauses of execution.** Prior to execution of the activities of component 2 of the program, the MLNI shall provide evidence (i) that a revised Environmental and Social Management Plan (ESMP) included in an Environmental Impact Assessment (EIA) has been presented to the Bank for approval; and (ii) of compliance with the obligations established for such component in the POM and ESMR.
- 3.4 **Retroactive financing and recognition of expenditures.** The Bank may finance retroactively under the loan up to the amount US\$500,000 (2% of the proposed loan amount), and recognize from the local contribution up to the amount of US\$1,250,000 (5% of the local contribution), eligible expenses incurred by the Borrower prior to the date of loan approval to finance activities under component 2 provided all the requirements are substantially similar to those set out in the loan agreement requirements. These expenses must have been incurred or on after May 6, 2016 (Project Profile approval date), and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.
- 3.5 **Procurement.** Procurement under the proposed programme will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Bank (GN-2349-9); and the Policies for the Selection and Contracting of Consultants Financed by the Bank (GN-2350-9), and with the provisions established in the loan contract and procurement plan. In addition, for all IDB-financed projects, the borrower is required to prepare and submit to the Bank a

draft of the General Procurement Notice (GPN). The Bank will arrange for publication of the GPN in United Nations Development Business online and on the Bank's website. The supervision method for procurement will be *ex ante* until the Project Executing Unit (PEU) procurement specialist has gained experience with Bank policies, procedures, and standard bidding documents.

- 3.6 **Sole Source Selection and/or Direct Contracting:** MLNI will hire the NTA for the Pre-Apprenticeship Module (job preparation module and soft-skills). The NTA, established in 2013, provides short-term job preparation skills for persons aged 16 to 26 by means of a 16 to 18-week programme that includes 4 weeks of mandatory soft skills training plus 10 weeks of specific skills training and 2 to 4 weeks of internship in select companies. The consultancy to the NTA is estimated at US\$800,000. According to Bank's procurement policies (GN-2350-9, 3.10,d), single-source selection may be appropriate when one firm has experience of exceptional worth for the assignment. After assessing the supply of training programs aimed at preparing young people for a first job in The Bahamas, the NTA fulfills the selection criteria in terms of scale, execution capacity, training model and methodology required for a pre-apprenticeship program. The NTA has capacity to provide training to at least 550 students per year with high completion rates (90%), and a job placement rate of 58% upon completion of the program. The training model follows a rigorous training method divided in three phases, guided by international best practices. The completion of each phase is certified and the completion of the vocational training overall is equivalent to a pre-apprenticeship level as per international standards.
- 3.7 **Annual Operational Plans (AOP).** Each year, the PEU will present an AOP to the Bank for its non-objection. The AOP will detail programme execution activities and associated implementation plans for the year; and will include for each programmed activity: annual goals, budget, and implementation schedule.
- 3.8 **Audits.** For each fiscal year during programme execution, the PEU will produce semi-annual financial reports for the programme, annual Audited Financial Statements (AFS) and one final AFS at the end of the programme. Annual AFS of the program, which will be submitted to the Bank within 120 days following the end of each fiscal year of the EA; and (ii) a final AFS of the program, which will be submitted within 120 days following the date of the last disbursement of the loan. The Financial Statements will be audited either by the Auditor General of The Bahamas or by a firm of independent public accountants acceptable to the Bank. Funds (US\$20,000 per year) have been allocated in case an independent firm carries out the audits of Financial Statements.

B. Summary of Arrangements for Monitoring Results

- 3.9 **Monitoring.** The EA, through the PEU, will present to the Bank semi-annual progress reports⁵⁵ reporting on the accomplishments and progress made on the indicators included in the results framework as well as the PEP, Plan of Activities (POA) and procurement plan, as described in the Monitoring and Evaluation Plan and the draft POM. The output indicators for beneficiaries of pre-Apprentices and Apprentices (Component 1) will be disaggregated by gender.

⁵⁵ Format of the progress reports will be included in the POM.

- 3.10 **Evaluation.**⁵⁶ Given the innovative approach of the programme in the region, an experimental impact evaluation will be conducted to generate evidence on the effectiveness of Pre-apprenticeship and Apprenticeship Programmes. The lessons generated will be important not only at the national level, but also for the rest of the region. The randomized impact evaluation will be conducted with baseline 90 days after 2nd year of execution and a follow-up at the end of the programme. Through this evaluation, Average Treatment Effects (ATE) and Intention to Treat (ITT) effects will be estimated.

C. Significant Design Activities Post Approval

- 3.11 The technical cooperation BH-T1051, [ATN/OC-15708-BH](#) will finance products that are inputs for beginning of project execution, such as the design of the Matching Grant Facility (MGF) e-platform described in Component 1 (par. 1.30.iv).⁵⁷ The MGF will provide the platform for firms within sectors to submit their training proposals for apprentices, establishing their training plans and proposals for cost-sharing between the resources provided by the project and those provided by the firm.

⁵⁶ See [E-link 3](#).

⁵⁷ See link to [TC Document BH-T1051, ATN/OC-15708-BH](#).

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Development Challenges & Cross-cutting Themes	-Social Inclusion and Equality -Productivity and Innovation		
Regional Context Indicators			
Country Development Results Indicators	-Beneficiaries of on-the-job training programs (#)*		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2731	To improve alignment between the labor supply and the needs of employers.	
Country Program Results Matrix		The intervention is not included in the 2016 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Highly Evaluable	Weight	Maximum Score
	9.0		10
3. Evidence-based Assessment & Solution	9.0	33.33%	10
3.1 Program Diagnosis	2.4		
3.2 Proposed Interventions or Solutions	3.6		
3.3 Results Matrix Quality	3.0		
4. Ex ante Economic Analysis	8.5	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	4.0		
4.2 Identified and Quantified Benefits	1.5		
4.3 Identified and Quantified Costs	1.5		
4.4 Reasonable Assumptions	0.0		
4.5 Sensitivity Analysis	1.5		
5. Monitoring and Evaluation	9.6	33.33%	10
5.1 Monitoring Mechanisms	2.5		
5.2 Evaluation Plan	7.1		
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood			High
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			B
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)			
Non-Fiduciary	Yes	Statistics National System.	
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality	Yes	The program will take several measures in order to: (i) encourage female participation in apprenticeships (empirical studies suggest that overall females have lower entry rates than males in apprenticeships); (ii) encourage female participation in non-traditional occupations; and (iii) systematize gender considerations into data analysis.	
Labor			
Environment	Yes	The Department of Labor building design is specified to be LEED certified, which will result in resource savings (less water, energy and greenhouse gas emissions).	
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			
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	The experimental evaluation will contribute to close the following knowledge gaps: i) it will bring evidence on the impact of an apprenticeship in the Region that combines job-readiness, soft and technical skills training, by analyzing the training impact on indicators such as earnings and probability of employment; ii) it will contribute to measure the effect of the skills shortage by quantifying the firm's productivity gains due to skilled human capital; and iii) it will contribute to evaluate the effect of a closer participation between the private sector and the national training entities supported by the Matching Grant Facility.	

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

The project "Skills for Current and Future Jobs in Bahamas" aims at increasing the employability and quality of employment of program beneficiaries by improving access to quality jobs in the Bahamas, especially for youth. The program has the following specific objectives: (i) increase relevant skills and employability in productive jobs of program beneficiaries; (ii) improve the effectiveness of the Public Employment Services; and (iii) enhance the capacity of the labor market's intelligence systems. Consistent with this logic, the program is structured in three components: (i) Pre-apprenticeships + Apprenticeships Program + Sector Skills Councils (SSCs), (ii) Promoting better job matching, and (iii) Labor markets information system.

The main problem diagnosed is unemployment, and some market failures are clarified in order to justify the intervention of the program. The diagnosis explains that the country experiences: (i) skills shortages, (ii) limited capacity of job-seekers to connect with opportunities in the labor market, and (iii) insufficient generation and use of labor market intelligence (LMI). The vertical logic of the program is clearly stated; activities and products are articulated with the proposed interventions.

The economic analysis suggests net positive benefits, mainly through improvements in wages and firm productivity. However, some assumptions need to be better explained because they could affect the NPV of the project. The project has adequate monitoring mechanisms and plans to assess the impact on key performance indicators using an experimental methodology. The risk profile of the project is high.

RESULTS MATRIX

Project Objective:	This operation will contribute to increase employability and quality of employment of programme beneficiaries, by improving access to quality jobs, especially for youth. The programme will have the specific objectives: (i) increase pertinent skills and employability in productive jobs; (ii) improve the effectiveness of public employment services; and (iii) enhance Labour market Intelligence and improve monitoring and evaluation systems.
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EXPECTED IMPACT

Indicators	Unit	Baseline		Goals		Means of verification	Observations
		Value	Year	Value	Year		
EXPECTED IMPACT: To increase employability and quality of employment of beneficiaries of the programme, improving access to quality jobs in the Bahamas, especially for youth.							
1. Employment rate of the apprenticeship graduates	Difference between employment rate of treatment versus control groups (in percentage points –pp-)	0	2017	5pp	2025	Follow up evaluation survey	The indicator for the treatment group versus the control group will be measured through the follow up survey. We expect that the impact will sustain until 2025 remaining constant. The programme will establish the required mechanisms to implement a National Apprenticeship Programme for the 1st time; therefore, there is no baseline. The Department of Statistics' definition of "Employment" will be used. See M&E Plan (40407350).
1.1. Youth employment rate of the apprenticeship graduates	<i>Difference between employment rate of treatment versus control groups for youth 16-29 (in pp)</i>	0	2017				<i>Tracking indicator.</i>
1.2. Female employment rate of the apprenticeship graduates	<i>Difference between employment rate of treatment versus control groups for women (in pp)</i>	0	2017				<i>Tracking indicator.</i>
2. Formality rate of the apprenticeship graduates	Difference between people with written contract in treatment versus control groups (in pp)	0	2017	10pp	2025	Follow up evaluation survey	This indicator will use the legal definition of formality as the probability of having a written contract. It will be measured through the follow up survey. M&E Plan
2.1 Formality rate of the young apprenticeship graduates	<i>Difference between people with written contract in treatment versus control groups for youth 16-29 (in pp)</i>	0	2017				<i>Tracking indicator.</i>
2.2 Formality rate of the female apprenticeship graduates	<i>Difference between people with written contract in treatment versus control groups for women (in pp)</i>	0	2017				<i>Tracking indicator.</i>

Indicators	Unit	Baseline		Goals		Means of verification	Observations
		Value	Year	Value	Year		
3. Average earnings differential of apprenticeship graduates	Difference between earnings in treatment versus control groups (in %)	0	2017	20%	2025	Follow up evaluation survey	The earnings differential of the treatment group versus the control group will be measured through the follow up survey. M&E Plan
3.1 Average earnings differential of youth apprenticeship graduates	Difference between earnings in treatment versus control groups for youth 16-29 (in %)	0	2017				Tracking indicator.
3.2 Average earnings differential of female apprenticeship graduates	Difference between earnings in treatment versus control groups for women (in %)	0	2017				Tracking indicator.

EXPECTED RESULTS

Expected Results	Unit	Baseline		Intermediate		Goals		Means of verification	Observations
		Value	Year	Value	Year	Value	Year		
EXPECTED RESULT 1: Increase pertinent skills and employability in productive jobs of programme beneficiaries									
1. Employment rate of the apprenticeship graduates	Difference between employment rate of treatment versus control groups (in pp)	0	2017	5pp	2020	5pp	2022	Follow up evaluation survey	The programme will establish the required mechanisms to implement a National Apprenticeship Programme for the 1st time; therefore, there is no baseline. See page 5 M&E Plan.
2. Formality rate of the apprenticeship graduates	Difference between people with written contract in treatment versus control groups (in pp)	0	2017	10pp	2020	10pp	2022	Follow up evaluation survey	This indicator will use the legal definition of formality as the probability of having a written contract. 49.36% of the occupied have a written contract (LFS, 2014). See page 5 M&E Plan.
3. Average earnings differential of apprenticeship graduates	Difference between earnings in treatment versus control groups (in %)	0	2017	20%	2020	20%	2022	Follow up evaluation survey	The earnings differential of the treatment group versus the control group. Average wage for the apprentices is B\$1,510 ¹ . See page 5 M&E Plan.

¹ This information is based on the LFS, for the current apprenticeship scheme.

Expected Results	Unit	Baseline		Intermediate		Goals		Means of verification	Observations
		Value	Year	Value	Year	Value	Year		
4. Number of participants certified by the pre-apprenticeship programme	#pre-apprenticeship certified participants at t ₂₀₁₇ , t ₂₀₂₀ and at t ₂₀₂₂	0	2017	742	2020	990	2022	Mid-term and/or final report based on administrative data	The indicator will measure the results of the available participants at the moment of each evaluation. We expect 10% of participants will not obtain the certificate ² . See page 5 M&E Plan.
5. Number of participants certified by the apprenticeship programme	#apprenticeship certified participants at t ₂₀₁₇ , t ₂₀₂₀ and at t ₂₀₂₂)	0	2017	585	2020	1,215	2022	Mid-term and/or final report based on administrative data	The indicator will measure the results of the available participants at the moment of each evaluation. We expect 10% of participants will not obtain the certificate. See page 6 M&E Plan.
6. Skills assessment index differential	Difference on the average “Skills assessment index” between treatment and control groups (in standard deviations at t ₂₀₁₉ and at t ₂₀₂₂)	0	2017	0,1 SD	2020	0,1 SD	2022	Mid-term and/or final report based on the assessment results	This assessment will determine whether the individuals have the needed occupational skills. Index of soft and hard skills standardized following Kling et al (2006) ³ . Difference based in Soft Skills Index in Acevedo, et al (2016) ⁴ . See page 6 M&E Plan.
EXPECTED RESULT 2: Improve the effectiveness of Public Employment Services (PES)									
1. PES job placement rate in the Bahamas	Rate (# of placed individuals / # registered individuals)	2	2014	15	2020	18	2023	Mid-term and/or final report based on PES Administrative data	The new facilities are expected to expand services, and attract and increase use of the service. See page 6 M&E Plan.

² Based on the experience of the National Training Agency and Juventud y Empleo, we expect that 90% of participants will graduate. The rest will drop-out from the training –perhaps joining the labor force- or will not pass the assessment successfully. The same applies to both phases.

Expected Results	Unit	Baseline		Intermediate		Goals		Means of verification	Observations
		Value	Year	Value	Year	Value	Year		
EXPECTED RESULT 3: Enhance the capacity of the labour market's intelligence and monitoring and evaluation systems									
2. Number of dashboard consultations made by the different public and private stakeholders	# consultations via dashboard	Na	2017	20	2019	75	2022	Mid-term and/or final report with the Dashboard' end of year system report	By 2019, the different entities should have access to the dashboard. See page 6 M&E Plan.

PRODUCTS

Products	Estimated Cost (US\$)	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final Goal	Means of verification
Component I: Pre-apprenticeships + apprenticeships programme + sector skills councils											
Number of pre-apprenticeship places	800,000	# of pre-apprenticeship places	0	275	275	275	275	-	-	1100	Mid-term and/or final report based on the National Training Agency administrative data. It will be considered that a place has been delivered once the participant reaches the assessment stage. See page 6 M&E Plan.
Number of apprenticeship places	18,705,950	# of apprenticeship places	0	-	300	350	350	350	-	1350	Mid-term and/or final report based on administrative data. It will be considered that a place has been delivered once the participant reaches the assessment stage. See page 7 M&E Plan.
Number of skills councils activated and holding meetings	1,728,000	# councils/ #firms	0	1	1	1	-	-	-	3	Minutes of the first meeting that the Skills Council holds signed by all its members and with the description of the discussed

Products	Estimated Cost (US\$)	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final Goal	Means of verification
											agenda
Quality guidelines for the Apprenticeship programme developed and approved by the Skills Council	50,000	# guidelines	0	1	-	-	-	-	-	1	Document with the guidelines
Matching Gran Facility (MGF) platform developed and active	100,000	# platform	0	1	-	-	-	-	-	1	Document with the operational manual developed and a report with the number of MGF requests
Communications strategy including the design of the Communication strategy on year 1 and the implementation for other years. Design includes an annual implementation plan and its yearly implementation will be measured with an end-of-year report detailing activities fulfilled in relation to plan.	350,000	# strategies	0	-	-	-	-	1	-	1	Final report including the strategy design and the compilation of all the yearly reports.
Small & Medium Enterprise (SMEs) grants to support apprentice training delivery granted	600,000	# grants	0	-	5	5	5	5	5	25	Mid-term and/or final report with the acceptance letters of the grant signed by the SMEs
Component II: Enhancing Institutional Capacity of the Department of Labour (DoL)											
Design of the new building	2,119,050	# designs	0	-	1	-	-	-	-	1	Document with the design of the building developed
43,500 square feet building with high speed internet connectivity and LEED certification to house the Department of Labour designed & built	22,380,950	# buildings	0	-	-	-	-	-	1	1	Official reception document of finished infrastructure validating that the building has the required characteristics signed by the Ministry of Works and Urban Development
Component III: Labour markets information system											
Employer surveys for specific sectors to identify skills/training gaps designed, collected, digitalized, analysed and ready to use for external users.	210,000	# surveys	0	1	-	-	-	1	-	2	Mid-term and/or final report with the main results of the survey attached

Products	Estimated Cost (US\$)	Unit	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Final Goal	Means of verification
Database assessment and analysis of the current available information developed	70,000	# assessments	0	1	-	-	-	-	-	1	Final report of the Database assessment and analysis
Database framework with labour market information from the different government entities consolidated and harmonized	200,000	#DBs	0	-	-	-	1	-	-	1	Final report of the harmonization process and a screen shot of the consolidated and harmonized Database.
Labour market information dashboard	340,000	# platform	0	-	-	-	-	1	-	1	Final report with a capture of the dashboard with the information
Number of training places to staff including agencies that interact with the dashboard	80,000	# training places	0	7	7	10	12	10	10	56	Mid-term and/or final report with the training survey results

FIDUCIARY ARRANGEMENTS

Country: The Commonwealth of The Bahamas
Project: BH-L1037
Name: Skills for Current and Future Jobs in the Bahamas
Executing Agencies: Ministry of Labour and National Insurance (MLNI)
Prepared by: Mario Castaneda (FMP/CBH) and René Herrera (FMP/CJA)

I. EXECUTIVE SUMMARY

- 1.1 The Ministry of Labour and National Insurance (MLNI) will be the government entity charged with responsibility for ensuring implementation of this Programme. The Ministry of Works and Urban Development (MWUD) will assist the MLNI with the infrastructure activities included in component 2 (construction of a new building to house the Department of Labour). The MWUD will provide technical guidance for the infrastructure specifications contemplated in component 2 and shall assist the MLNI in the technical supervision of the works throughout the execution of the programme.
- 1.2 The Bank's methodology for Project Risk Assessment was utilized to identify the project's risks and determine the mitigating measures. The Institutional Capacity Assessment System was used to assess the capacity of the MLNI to carry out the project's fiduciary execution responsibilities. The assessment resulted in a medium fiduciary risk level.
- 1.3 For the purposes of the subject project, it has been agreed that a Programme Executing Unit (PEU) will be established within the MLNI, properly staffed with specialized fiduciary personnel. IDB's procurement policies and procedures (GN-2349-9 and GN-2350-9) will be applied.

II. EXECUTING AGENCIES FIDUCIARY CONTEXT

- 2.1 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 1st to June 30th.
- 2.2 The 2013 amendment calls for the establishment of a central procurement unit and an electronic procurement system to allow online bidding and monitoring of public bids. These unit and online system have not yet been fully implemented.

III. FIDUCIARY RISK EVALUATION AND MITIGATION ACTIONS

- 3.1 The results of applying the Risk Assessment Matrix for the fiduciary component after mitigation actions were considered of medium risk; also, the institutional capacity assessment resulted in a medium level rating. The analysis also considered the PEFA scores for the Budget Cycle- scores for accounting and

external audit were particularly low. Therefore the successful implementation of the project would require the hiring of appropriate specialized staff for the PIU.

- 3.2 It has been agreed that the responsibilities of the MWUD for the corresponding portion of component 2, shall be of technical guidance to the MLNI to prepare the technical specifications for the procurement process and for technical supervision of the infrastructure. It is recommended that the MLNI gives careful consideration to include in the program's design some key members in the PIU to strengthen its institutional capacity. Appropriate selection/appointment of Financial Management and Procurement Specialists are necessary to ensure adequate fiduciary accountability and controls during project execution.

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. Determined as medium.</p>	<p>1. Selection of a Procurement Specialist under the PIU. The Bank will offer progressive training plan to procurement staff in the PIU and explain acceptable bidding methods, and integration of new types as they move into a new business model. Supervision will be conducted in ex ante modality.</p>	<p>Project startup date</p>
<p>Delays in financial reporting due to limited experience applying IDB financial management policies and procedures. Determined as medium.</p> <p>The delays in reporting relate to the inefficiencies observed in other projects 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.</p>	<p>2. Selection of a Financial Management Specialist under the PIU. The Bank will offer progressive financial management training for the Project Implementation Unit staff. The training will also incorporate financial planning.</p>	<p>Project startup date</p>
<p>Also, the Ministry of Finance has determined the Reimbursement of Expenses as their preferred method to access loan resources, which is already applied to current portfolio. This approach may lead to inefficiencies that limit the ability to have accurate financial planning due to long treasury processing turnaround. These structural inefficiencies have led to late presentation of audited financial statements in other projects as information for testing purposes is not readily available, even in those cases in which the audit has been performed by the Office of the Auditor General (OAG).</p>	<p>3. Still maintain the option for using Advances of Funds for disbursing loan resources, also maintaining the 80% minimum justification requirement for the processing of new advances of funds to the program. However, if necessary during implementation, we will seek application of flexibility according to Financial Management Guidelines criteria to reduce the standard percentage (80%) of justification of funds required for new advances to a more manageable minimum.</p> <p>4. The GOBH has been given the option to have the Office of the Auditor General to audit the program.</p>	<p>During execution.</p> <p>To be included in the loan contract.</p>

Risks/weakness	Action recommended	Compliance by
<p>Lack of coordination Risk. Coordination between the MLNI and MWUD will be critical for implementation of component 2.</p>	<p>The signature of an agreement between MLNI and MWUD is recommended so both ministries have clarity of their roles and responsibilities and expected levels of coordination for the implementation of the Program with regard to the infrastructure activities included in component 2. A Manual of Operations should also have sufficient details of roles, responsibilities, procedures.</p>	<p>To be required in the loan contract.</p>

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

- 4.1 Based on the fiduciary risk evaluation and mitigation actions, the fiduciary arrangements recommended are the following:
- a. Prior to the first disbursement of the resources of loan, Ministry of Labor and National Insurance shall provide evidence that: (i) the Programme Execution Unit has been created and that, at least, the programme coordinator, procurement specialist, and fiduciary specialist have been selected, pursuant to terms of reference satisfactory to the Bank; (ii) the Programme Operating Manual has been approved in the terms previously agreed with the Bank, including fiduciary management arrangements and execution plan; (iii) an initial report, including the Pluriannual Execution Plan (PEP) and the financial plan, has been presented to the Bank; (iv) an agreement between the Ministry of Labor and National Insurance and the Ministry of Works and Urban Development has been executed and entered into force, establishing the coordination aspects for program execution. See paragraph 3.3 of the DLP.
 - b. A special clause to allow retroactive financing. See section V.5.1(e) below.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 Procurement for the proposed project will be carried out in accordance with the Policies for the Procurement of Works and Goods Financed by the Inter-American 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 Services¹ generated under the project and subject to International Competitive Bidding will be executed

¹ 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.

through the use of the Standard Bidding Documents (SBDs) issued by the Bank. The processes subject to National Competitive Bidding (NCB) will be executed through the use of bidding documents based on the above-mentioned standard documents and satisfactory to the Bank. The technical specifications review during the preparation of the selection process is the responsibility of the project sector specialist.

- b. **Selection and Contracting of Consultants.** The consulting services contracts generated under this project will be selected and contracted using the Standard Request for Proposals issued by the Bank, when advertising at the international level and a document satisfactory to the Bank when advertising at the local level. The terms of reference review for the selection of consulting services is the responsibility of the project sector specialist.
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.
- c. **Training.** Training will be provided to the MLNI PIU staff in charge of the financial management and procurement execution prior to starting activities and based on the Annual Operations Plan (AOP).
- d. **Recurrent Expenses.** The project contains coverage of recurrent expenses that are required to start and maintain the project during execution and will be financed by the project within the annual budget approved by the Bank and Bahamas Financial Parameters. Among those identified there is funding for hiring consultants to assist the PIU in project management and supervision, monitoring and evaluation and contingent costs identified in the cost structure. These personnel are necessary to ensure proper staffing of the PIU to carry out the project activities, and are consistent with Country Financing Parameters.
- e. **Retroactive Financing & Recognition of expenditures.** The Bank may finance retroactively under the loan up to the amount US\$500,000 (2% of the proposed loan amount), and recognize from the local contribution up to the amount of US\$1,250,000 (5% of the local contribution), eligible expenses incurred by the Borrower prior to the date of loan approval to finance activities under component 2 provided all the requirements are substantially similar to those set out in the loan agreement requirements. These expenses must have been incurred on or after May 6, 2016², and under no circumstances shall expenditures incurred more than 18 months prior to the loan approval date be included.
- f. **Sole Source Selection and/or Direct Contracting.** MLNI will hire the National Training Agency (NTA) for the Pre-Apprenticeship Module (Job preparation module and soft-skills). The NTA, established in 2013, provides short-term job preparation skills for persons aged 16 to 26 by means of a 16- to 18-week program that includes 4 weeks of mandatory soft skills training plus 10 weeks of specific skills training and 2 to 4 weeks of internship in select companies. The consultancy to the NTA is estimated at US\$800,000. According to Bank's procurement policies (GN-2350-9, 3.10,d), single-source

² Date of project profile (PP) approval.

selection may be appropriate when one firm has experience of exceptional worth for the assignment.

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.

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

Table 3. Main Procurement Activities

Activity	Description	Procurement Method	Estimated Amount (US\$ thousands)
New Department of Labour (DoL) Building	Construction of the New DoL Building	ICB	22,400
Design of New DoL Building	Design of New DoL Building	QCBS	1,700
Pre-Apprenticeship Module: Job preparation module, soft-skills	Selection of the National Training Agency (NTA)	DC	800

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

5.2 See [Procurement Plan](#).

VI. PROCUREMENT SUPERVISION

6.1 The supervision method for procurement execution will be established *ex ante* until the PIU 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 every 12 months and as indicated in the project supervision plan. When *ex post* review is recommended, the supervision visits will be performed jointly with supervision visits.

VII. SPECIAL STIPULATIONS

- 7.1 As indicated in Section IV.

VIII. FINANCIAL MANAGEMENT

- 8.1 **Programming and Budget.** During its budget call the Budget Department of the MOF sends out its circular including the required forms to be completed. The information is completed by the various Ministries and forms are returned to the Budget Department. At this stage the Budget Department must key in all of the information it receives from the various ministries and departments to complete the Budget call. Once the Budget has been approved, and the warrant issued by the Minister of Finance, an interface is done by the IT department to upload the information to the Treasury's system.
- 8.2 The Borrower has committed to allocate, for each fiscal year of project execution, adequate fiscal space to guarantee the unfettered execution of the project; as determined by normal operative instruments such as the Annual Operations Plan (AOP), the Procurement Plan and Financial Plan.
- 8.3 **Accounting and Information Systems.** It will be necessary to maintain auxiliary records at the PIU level, under the responsibility of a financial specialist, to fully comply with IDB requirements of internal control and records.
- 8.4 **Disbursements and Funds Flows.** The Ministry of Finance has expressed their decision to use the Reimbursement of Expenses as their preferred method to disburse loan resources.
- 8.5 The option of using advances of funds on the basis of a financial plan will be maintained. The Treasury Department is in agreement to establish a Special Account at the Central Bank of The Bahamas, denominated in US Dollars in the event that MOF returns to using Advances of Funds. This account will have exclusive use to cover for project expenditures. Advances will be requested and deposited into this account on the basis of a financial plan.
- 8.6 The PIU commits to maintain strict control over the utilization of loan resources so as to ensure the easy verification and reconciliation of balances between the Executing Agency's records and IDB records (WLMS1 Summary Report). Other methods of disbursement will be considered on a case by case basis.
- 8.7 The project will provide adequate justification of the existing Advance of Funds balance, whenever at least 80% of said balance has been spent; if necessary, a lower percentage may be considered following the criteria established in the revised Financial Management Guidelines. When used, advances will normally cover a period not exceeding 180 days and no less than 90 days.
- 8.8 Supporting documentation for Justification of Advances and Reimbursement of Payments Made will be kept at the office of the PIU. Copies of the support documentation only in the case of direct payments will be sent to the Bank for processing. **Disbursements' supporting documents may be reviewed by the Bank on an ex post basis.** These reviews do not entail a blanket approval, based on the samples reviewed, of the whole universe of expenditures.

- 8.9 In order to request disbursements from the Bank, the Executing Agencies 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	Disbursement Request/ Financial Plan	List of Commitments Physical/Financial Progress Reports
Reimbursements of Payments Made	Disbursement Request/ Project Execution Status/ Statement of Expenses	List of Commitments Physical/Financial Progress Reports
Direct Payment to Supplier	Disbursement Request/ Acceptable Supporting Documentation	List of Commitments Physical/Financial Progress Reports/Evidence that goods/services have been satisfactorily received

- 8.10 **Internal Control and Audit.** The internal control capacity is estimated to be satisfactory. To the extent possible, the internal audit unit will provide oversight to the project.
- 8.11 **External Control and Reporting.** The government is given the option to use the services of the OAG to conduct the external control of the program. A private eligible audit firm will be in charge of the external audits if the use of the services of the OAG were not possible.
- 8.12 **Financial Supervision Plan.** Financial, Accounting and Institutional 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) review of compliance with the lending criteria; (iv) 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 project.