

## TC Document

### I. Basic Information for TC

▪ Country/Region:	BAHAMAS
▪ TC Name:	Support to skills development in the Bahamas
▪ TC Number:	BH-T1097
▪ Team Leader/Members:	Gonzalez Velosa, Carolina (SCL/LMK) Team Leader; Dias Alvarenga Baptista, Dulce Benigna (SCL/LMK) Alternate Team Leader; Cecilia Siccha (SCL/LMK); Gaston Ferrin (SCL/LMK); Gomez Gerena, Maria Fernanda (SCL/LMK); Gonzalez Herrera, Beatriz Maria (SCL/LMK); Jimenez De Arechaga, Maria Del Pilar (LEG/SGO); Laura Casas Rojas (SCL/LMK) Team Leader; Dias Alvarenga Baptista, Dulce Benigna (SCL/LMK) Alternate Team Leader; Cecilia Siccha (SCL/LMK); Gomez Gerena, Maria Fernanda (SCL/LMK); Gonzalez Herrera, Beatriz Maria (SCL/LMK); Jimenez De Arechaga, Maria Del Pilar (LEG/SGO); Laura Casas Rojas (SCL/LMK)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	No.
▪ Date of TC Abstract authorization:	23 May 2022.
▪ Beneficiary:	The Ministry of Economic Affairs of The Bahamas
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Social Development(W2E)
▪ IDB Funding Requested:	US\$150,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months (includes execution period)
▪ Required start date:	August, 2022
▪ Types of consultants:	Firms and Individual consultants
▪ Prepared by Unit:	SCL/LMK-Labor Markets
▪ Unit of Disbursement Responsibility:	SCL/LMK-Labor Markets
▪ TC included in Country Strategy (y/n):	Yes.
▪ TC included in CPD (y/n):	No.
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Gender equality; Productivity and innovation; Social inclusion and equality

### II. Objectives and Justification of the TC

- 2.1 Labor market conditions in the Bahamas have been weak for many years. Throughout the previous decade, unemployment rates in The Bahamas remained in the double digits, largely due to a continued overhang after the global financial crisis. Youth unemployment rates have been persistently higher. For instance, in May 2019 the unemployment rate of individuals aged 15-25 reached 20%, exactly twice the national unemployment rate (Department of Statistics, Labor Force Report).
- 2.2 This already difficult situation dramatically worsened with the pandemic: according to IMF estimates, the unemployment rate in 2020 soared, reaching 25.5% in 2020, and 18.1% in 2021. The extreme reliance of employment on the tourism sector, which is high even for Caribbean standards, made this shock especially dramatic. Between

2015 and 2018, 56% of the workers in The Bahamas were directly employed in tourism: this is the highest rate in the Caribbean (Mooney and Zegarra, 2020).

- 2.3 Moreover, the school closures and social isolation generated because of the pandemic had a major disproportional negative impact on women compared to men, due to the child and elderly care activities they had to assume, that prevented them from participating in the labor market and was the cause for several job losses. This fact is combined with a structural problem of occupational segregation in the region, where men tend to work in occupations and sectors that are better paid with better working conditions. For example, in the Caribbean, tourism and services and sales sectors are predominated by female workers (54.3% are female and 38.7% are male) and were some of the most impacted sectors by the pandemic in terms of output and employment (ECLAC, 2021). This highlights the relevance of boosting female employment through labor policy.
- 2.4 Even though the economy in the Bahamas is recovering, with GDP expected to grow in 2022 in 8%, and even though the tourism sector experienced a significant rebound, a full recovery to pre-pandemic levels is not expected before end-2023 (IMF, 2022). This economic recovery, however, may not translate into an equitable rebound of the labor market. Structural changes in the labor market due to pandemic may have permanently affected the demand of certain occupations and skills and some workers may find limited opportunities for reemployment. Before the pandemic, significant gaps between the skills of the workforce and the current and future needs of the labor market had led to an uneven dependence of foreign talent and skills, creating tensions between labor and immigration policies. Moreover, low local returns to skills stimulate out migration: approximately two thirds of Bahamians with a tertiary education degree migrate to the US, Canada, or Europe (Ruprah and Sierra, 2016). To the extent that the pandemic may lead to structural changes in the labor market, making some occupations and skills redundant, these mismatches can persist or even become more pronounced.
- 2.5 Labor demand in the Bahamas will also be affected by global trends, such as digital transformation and climate change. While the adoption of new digital technologies can increase productivity and competitiveness, it can also reduce the demand of workers, particularly of those whose skills are substitutes of digital technologies (Acemoglu and Autor, 2011; Autor and Restrepo, 2018). Environmental policies, such as transition to cleaner technologies, and adaptation to extreme weather events, as well as emerging sectors such as the renewable energy sector, also have the potential to change the demand of skills (IDB and ILO, 2020). If adequate reskilling or upskilling policies are not implemented, the adoption of digital and/or cleaner technologies can have a negative impact on many workers.
- 2.6 The Bahamas requires an agenda to reskill dislocated workers, train those that may be affected by digital change and create a pool of talent to support the diversification agenda. This will have to be implemented efficiently, ensuring quality and relevance. Since the fiscal space has been eroded (general government gross debt reached 75% of GDP in 2020), limiting the room for social services.
- 2.7 **Objective.** The objective of this non-reimbursable Technical Cooperation (TC) is to strengthen and systematize activities that are being held to identify skills needs in The Bahamas, and to design a talent pipeline that closes skill gaps in strategic and priority sectors. Thus, this TC will benefit workers, firms and training providers who are

vulnerable to structural and technological changes by orienting job training and labor intermediation programs in the relevant skills demanded by the productive sector.

**2.8 Strategic Alignment.** This TC is aligned with the Second Update to the Institutional Strategy 2020-2024 (AB-3190-2) with the strategic goal of “addressing the needs of less developed and small countries” and with the development challenges of: (i) Productivity and Innovation, because it seeks to increase the labor productivity through the design and implementation of strategies that promote training that is relevant to the needs and requirements of the productive sector, while activating strategic sectors that are key for economic growth; (ii) Social Inclusion and Equality, because it finances tools that promotes access to quality employment through relevant human capital investments and skills development for workers vulnerable to technological change; and (iii) with the cross cutting issue of Gender equality, since it seeks to collect information on labor demand including gender-related data and the design of the talent pipeline includes gender-related analysis. Also, this TC is aligned with Vision 2025 (AB-3266) in the tier of working towards a sustainable and inclusive economic growth in the objectives of: (i) reactivating the productive sector; (ii) promoting social progress; and (iii) strengthening good governance and institutions. Moreover, this TC is aligned with the Country Strategy of Bahamas in the strategic area of fostering an enabling environment for private sector competitiveness, since it finances a survey to identify skills requirements of a strategic productive sector, and the design of a sectorial talent pipeline to promote skills training relevant to the needs of the productive sector. Also, it is aligned with the cross-cutting issue of data collection and dissemination, which poses a challenge to The Bahamas and restricts evidence-based policymaking, since it seeks to improve labor demand information availability thus, orienting skills training programs. And it is aligned with the dialogue area of enhancing human capital development through relevant skills training. This TC is also aligned with The Bahamas’ Vision 2040 Plan, with the pillar of improving human capital through better skills training. Also, is aligned with the government program Blueprint for Change in the objective of rescuing the economy, specifically in the promotion of economic diversification, digitalization, and innovation, since it seeks to identify and strengthen human capital demanded by emerging sectors related with digital transformation. Additionally, this TC is aligned with the OC SDP Window 2 – Social Development (W2E) in the priority areas of: (i) inclusive social development, in the objectives of supporting efforts to reduce poverty and inequality and promoting social inclusion and gender equality, since the TC seeks to design an action plan to improve human capital and promote access to quality jobs; and of (ii) inclusive economic growth in the objectives of supporting new methodologies to facilitate public policy decisions and growth agendas in the region, since the TC seeks to improve skills of workers in a strategic productive sector.

**2.9 Lesson Learned.** This TC considers lessons learned from the design and execution of similar operations, such as the Program for Skills Development for Global Services in Jamaica (4645/OC-JA) related with the promotion of growth of a strategic sector through the provision of better skilled workers; the Program to Strengthen Employment Policies in Colombia (4934/OC-CO), related with the development of information tools to inform about human capital gaps and labor demand, and to guarantee the relevance and quality of job training; the Intelligent Labor Reconversion Program in Chile (ATN/TV-18302-CH) related with the development of a platform that orients firms and people in the process of labor reconversion; the Global Services Promotion Program (3112/OC-TT) in Trinidad and Tobago related with the development of an information

system to guarantee relevance of training; the Bahamas Labor Market Study (ATN/OC-12597-BH) operation and Advancing Skills and Employment in the Bahamas operation (ATN/OC-14040-BH) related with activities to improve information systems to identify training and skills needs of the private sector and establishing evidence-based policymaking; and the loan Skills for Current and Future Jobs in the Bahamas (3787/OC-BH,3787/OC) related with the alignment of labor demand and supply. Also, this TC is part of a generalized effort to improve labor markets demand information in The Caribbean. Its findings will fuel and complement the execution of the operation Skills for Technological Change in Trinidad and Tobago (TT-T1129) that will be implemented in parallel, and which activities and expected outcomes are very similar. In this sense, these operations will generate strategic synergies and benefit from scale economics and regional capacity building.

### **III. Description of activities/components and budget**

- 3.1 Component 1. Collection of information on labor demand (US\$60,000).** This component will provide methodological support for the design and implementation of an instrument that collects information on skills and occupational demand from a representative sample of firms in The Bahamas. This support will build on similar initiatives led by the private sector of Bahamas that require strengthening and systematization. The instrument will help identify skills gaps (cognitive, technical, socioemotional, and digital), its causes and consequences, and the strategies adopted by firms to deal with these issues. Gender-related information will also be gathered. The collected data should inform training and intermediation programs, promoting the development of relevant skills for the productive sector. Specific activities are: (i) assessment of existing data collection instruments in Bahamas; (ii) co-creation with stakeholders of an online data collection exercise (i.e. questionnaire, definition of a representative sample, data collection protocols); (iii) methodological note of results from the data collection exercise; and (iv) proposal of policy recommendations to improve information systems to identify skill demands in The Bahamas. With these activities, the main outcome this component is seeking is to increase the availability of information of skills in The Bahamas.
- 3.2 Component 2. Design of a Talent Pipeline and implementation of pilot (US\$83,750).** The objective of this component is to design an action plan to respond to emerging labor market demands in a strategic productive sector of Bahamas. Activities include: (i) identification of a strategic productive sector that has skill requirements affected by technological change (e.g., digital, climate change); (ii) consultations and data assessment to identify skill requirements in the strategic productive sector that is affected by technological change and gender-related analysis; (iii) proposal of a Sectorial Talent Pipeline (an action plan to answer in quantity and quality in a short period of time, to the emerging demands of the productive sector) that includes operational management, gender specific strategies, and estimation of the costs of: training, certifications, intermediation, monitoring and evaluation of results; and (iv) implementation of key measures to increase skills in a strategic productive sector. With these activities, the main outcome of this component is to design a strategy to increase human capital in a strategic productive sector of Bahamas.
- 3.3 Component 3. Communication and dissemination (US\$6,250).** This component will finance the dissemination of the results, lessons learned, and policy recommendations related with the instruments and methodologies to collect relevant information about skills demand of the productive sector and how to use this

information to orient training and intermediation programs, and with the design and implementation of methodologies to develop human capital in strategic sectors with the potential of boosting economic growth.

- 3.4 It is estimated a budget of US\$150,000 to be executed up to 36 months (2022-2025). This time of execution is justified in the times required to develop each activity from the consultancies and the fact that the consultancy from component 2 requires the results from the consultancy of component 1, so they cannot be done simultaneously. The funding source of this TC is the OC SDP Window 2 - Social Development (W2E) (GN-2819-14).

#### **Indicative Budget**

<b>Activity/Component</b>	<b>Description</b>	<b>IDB/Fund Funding</b>	<b>Total Funding</b>
Component 1. Collection of information on labor demand	Collection of information on labor demand	US\$60,000	US\$60,000
Component 2. Design of a Talent Pipeline and implementation of pilot	Design of a Sectorial Talent Pipeline	US\$83,750	US\$83,750
Component 3. Communication and dissemination	Communication and dissemination	US\$6,250	US\$6,250
<b>Total</b>		<b>US\$150,000</b>	<b>US\$150,000</b>

#### **IV. Executing agency and execution structure**

- 4.1 This TC will be executed by the Bank through the Labor Markets Division (SCL/LMK) at the explicit request of the Government of Bahamas. SCL/LMK will have overall responsibility for the direction, supervision, coordination, and evaluation of this TC. This is justified by: (i) the need to have an administration that brings international expertise in an effective and timely manner; and (ii) the technical specialized experience of the Bank in designing and developing tools to promote relevant training and employment programs in the region. Moreover, the Bank will seek a local counterpart with experience in this field to partner to accomplish the objectives of this TC and facilitate the scalability and sustainability of the activities carried out. The supervision of this TC will be made by Carolina González-Velosa, specialist of the Labor Markets and Social Security Division (SCL/LMK).
- 4.2 The activities to be executed in this operation have been included in the Procurement Plan (Annex IV) and will be executed in accordance with the Bank's established procurement methods, namely: (a) Contracting of individual consultants, as established in the regulations AM-650; (b) Contracting of consulting firms for services of an intellectual nature according to GN-2765-4 and its associated operational guidelines (OP-1155-4); and (c) Procurement of logistics services and other services other than consulting, in accordance with policy GN-2303-28.

#### **V. Major issues**

- 5.1 The risks in executing and achieving the project's objectives are: (i) lack of coordination among key stakeholders from the private and public sector; (ii) risk of not implementing the policy recommendations that result from the activities of this TC; and (iii) unforeseen events related to the covid-19 crisis that prevent from having face to face meetings, workshops or missions and could delay the implementation of the activities of this TC. To mitigate these risks, the following activities will be carried out: (i) the design of the Sectorial Talent Pipeline includes efforts of institutional articulation among the private and public sectors; (ii) timely and effective communication channels will be built with high ranked officials of the Government to share the relevance and results of the project generating an appropriate visibility; and (iii) locally based consultants will be involved in the project supporting its correct development, and the team will establish constant and effective communication channels with local counterparts related with the activities of this TC.

**VI. Exceptions to Bank policy**

- 6.1 There are no exceptions to bank policy considered in this TC.

**VII. Environmental and Social Strategy**

- 7.1 This TC is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Banks Environmental and Social Policy Framework (ESPF).

**Required Annexes:**

[Request from the Client - BH-T1097](#)

[Results Matrix - BH-T1097](#)

[Terms of Reference - BH-T1097](#)

[Procurement Plan - BH-T1097](#)