

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**REGIONAL**

**SKILLS FOR WORK: ENHANCING PRIVATE SECTOR ENGAGEMENT FOR  
PRODUCTIVITY IN THE BAHAMAS AND DOMINICAN REPUBLIC**

**(RG-T3016)**

**TC DOCUMENT**

This document was prepared by the Project team consisting of: Fernando Pavon (LMK/CJA); Maria Victoria Fazio (SCL/LMK); Laura Ripani (SCL/LMK); Michael Hennessey (CTI/CDR); Awilda Castillo (CID/CDR); Ethel Muhlstein (SCL/LMK); Tania Gaona (SCL/LMK); Margie-Lys Jaime Ramirez (LEG/SGO).

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**RG-T3016**

**CERTIFICATION**

I hereby certify that this operation was approved for financing under **Ordinary Capital Strategic Development Program for Social Development (SOC)** through a communication dated May 4, 2017 and signed by Mariana Mendoza (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$200,000** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, represent a risk that will not be absorbed by the Fund.

CERTIFIED BY:

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Sonia M. Rivera  
Division Chief  
Grants and Co-Financing Management Unit  
ORP/GCM

\_\_\_\_\_  
Date

APPROVED BY:

\_\_\_\_\_  
Carmen Pages-Serra  
Division Chief  
Labor Markets Division  
SCL/LMK

\_\_\_\_\_  
Date

## Technical Cooperation (TC) Document

### I. Basic information

▪ Country/Region:	Regional / The Bahamas and Dominican Republic
▪ TC Name:	Skills for Work: Enhancing Private Sector Engagement for Productivity in The Bahamas and Dominican Republic
▪ TC Number:	RG-T3016
▪ Team Leader/Members:	Fernando Pavon (LMK/CJA), Team Leader; Maria Victoria Fazio (SCL/LMK) Alternate Team leader; Laura Ripani (SCL/LMK); Michael Hennessey (CTI/CDR); Awilda Castillo (CID/CDR); Margie-Lys Jaime Ramirez (LEG/SGO); Tania Gaona (SCL/LMK); and Ethel Muhlstein (SCL/LMK).
▪ Indicate if Operational Support, Client Support, or Research & Dissemination:	Research & Dissemination (R&D)
▪ Date of TC abstract authorization:	May 4, 2017
▪ Beneficiary:	Commonwealth of the Bahamas and Dominican Republic
▪ Executing Agency and contact name:	Inter-American Development Bank (IDB), Social Sector, through the Labor Markets and Social Security Division (SCL/LMK). Fernando Pavon (fernandop@iadb.org)
▪ Donor providing funding:	Ordinary Capital Strategic Development Program for Social Development (SOC)
▪ IDB funding requested:	US\$200,000
▪ Local counterpart funding, if any:	0
▪ Execution and disbursement period:	Execution & Disbursement period in 36 months
▪ Required start date:	September 20, 2017
▪ Types of consultants:	Individual consultants
▪ Prepared by unit:	Labor Markets Division (SCL/LMK)
▪ Unit of Disbursement Responsibility:	SCL/LMK
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Social inclusion and equality
▪ Alignment to the OC-SDP for Social Development:	(ii) strengthen public institutions' efforts to become more effective and efficient in social programming, group targeting, and social sector project execution

### II. Objectives and Justification

- 2.1 Over the last 50 years, the Latin American and Caribbean region has suffered from relatively low levels of productivity with the productivity gap with respect to advanced economies and other emerging regions having significantly widened during this period (IDB, 2015). Multiple factors<sup>1</sup> lie behind this reality, of which some are related to the characteristics of the labor force, as a qualified workforce and the mechanisms with which to continuously update its skills are essential drivers of productivity growth.<sup>2</sup> The international literature shows that the workforce's stock of skills is one of the main determinants of productivity (OECD, 1994, 2011; Hanushek and Woessmann, 2008; Pagés, 2010; Bassi, Rucci and Urzúa, 2014). A more highly skilled workforce also

<sup>1</sup> These can include the level of development and depth of the financial sector, level of competition, levels of informality, or a combination of these.

<sup>2</sup> Skills are defined as individuals' ability to successfully complete a series of tasks (Gambin, Green and Hogarth, 2009).

stimulates productivity indirectly by encouraging innovation technology adoption, and better business management.

- 2.2 As evidenced by employers' surveys across the region, the workforce's lack of skills appears to represent a bottleneck to productivity. In the Bahamas, according to the results of the 2012 Wages and Productivity Survey, analysis of Labour Force Surveys, and in-country consultations,<sup>3</sup> 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). In the Dominican Republic, the percentage of firms that identify identifying an inadequately educated workforce as a major constraint to their business lies close to the regional average (31.4% vs. 33.6%) (World Bank, 2016<sup>4</sup>).
- 2.3 International evidence suggests that to ensure that education and training is pertinent to the labor market's needs, countries must successfully identify employers' skills requirements on a consistent basis. For this, they must: (i) collect and broadly disseminate various types of information about present and future skills demand based on a combination of data ranging from vacancy announcements, company surveys, or quantitative predictive models; (ii) develop mechanisms permitting a broad spectrum of employers to express their skills requirements and have these requirements reflected in competency standards; and (iii) evaluate employers' satisfaction with how their skills requirements are incorporated and with the results of this process (Fieldsend, 2016; CEDEFOP, 2009a, 2009b; González-Velosa and Rucci, 2016).
- 2.4 The literature also suggests that aside from generating information to identify skills needs, businesses also have an important role to play in forming the appropriate human resources. Businesses' investments in their human resources have a direct effect on the productivity of workers and companies. In developed countries, investment in human capital by employers (whether directly in the workplace or in the classroom) boosts both workers' and companies' productivity (Colombo and Stanca, 2014; Dostie, 2014; Konings and Vanormelingen, 2015). The best study to date from a methodological standpoint found that participation in a training program raises workers' productivity by 10 percentage points and also has positive externalities on the productivity of other workers not directly participating (De Griep and Sauermann, 2012). For Latin America and the Caribbean there is evidence suggesting that companies' investments in human capital are associated with productivity gains, although the effects could be bigger in large corporations (Tan and López Acevedo, 2005, 2003; González-Velosa, Flores and Rosas-Shady, 2014). Despite this evidence, the percent of firms offering formal training in Dominican Republic is just 23.4% and 37.1% for The Bahamas compared to LAC 43.1% (World Bank Enterprise Survey, 2016, 2010<sup>5</sup>).

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<sup>3</sup> Fazio, MV and E. Pinder. 2014. In Pursuit of Employable Skills Understanding Employers' Demands. IDB monograph, 236.

<sup>4</sup> World Bank Enterprise Surveys:

<http://www.enterprisesurveys.org/data/exploreeconomies/2016/dominican-republic#workforce>

<sup>5</sup> <http://www.enterprisesurveys.org/data/exploreeconomies/2016/dominican-republic#workforce>

- 2.5 The active involvement of the private sector in skills development is therefore key to enhancing countries' productivity. The region needs to advance towards having vocational training systems that are able to develop the functions of identifying and responding better to employers' skills requirements, producing curricula that are able to transmit the competencies identified, achieving good quality standards, and developing effective financing mechanisms designed to address market failures and/or promote equity. However, there is not one model of how to adapt the lessons learned from international experience to the region and as such; each country must develop its own skills and productivity roadmap that in addition to considering the role of the private sector; it must also consider potential partnerships with other key actors in the skills development system such as government ministries, training institutions, sectors and unions, youth organizations, and research and donor organizations, among others.
- 2.6 Two previous TCs: **"TransFormation: Skills for Productivity"** RG-T2402, ATN/KP-14149-RG<sup>6</sup> and **"Skills for Work: Action Plans for The Bahamas and El Salvador"** RG-T2611, ATN/KP-15014-RG, contributed to the organization of a series of knowledge exchanges and dialogues on the topic of skills for work in Colombia, Brazil, Mexico, Chile, Peru, Panama, El Salvador, and The Bahamas. These dialogues included the participation of a wide array of actors from the civil society, private and public sectors, including representatives of Ministries of Labor, Finance, and Education and brought in experts from Australia, Austria, Czech Republic, Germany, Korea, and the UK to share their experiences. Concomitantly, analyses were conducted to: (i) assess the skills development systems in the eight countries, understanding the cooperation between the public and private sectors with regards to vocational training; (ii) evaluate practices around the world in vocational training, and (iii) develop concrete roadmaps and action plans for skills development in The Bahamas.
- 2.7 As a Programming Product for the Country Strategy the Bank commissioned the "Identification of sectors with the greatest export potential and insertion in global value chains for the Dominican Republic in the next 5 years". As a result of the analysis, 5 sectors were identified with the potential to increase the country's exports by US\$12.7 billion dollars and create more than 350.000 jobs by 2021: tourism, medical and pharmaceutical instruments, electrical and electronic products, Business Support Services and footwear. Achieving the identified potential would translate into an ambitious 5-year socio-economic vision: reduction of the poverty rate to 20%, unemployment rate to 11% and informality rate to 45%, coupled with average wage growth of \$50 and Annual economic growth of 6.6% (IDB, 2016). This TC would work with the selected sectors to identify and propose "private sector engagement" - training provider interaction mechanisms to better articulate the skills needs required in the sector and increase their labor productivity.
- 2.8 The main objective of the TC is to continue the support of the Bank in this area, this time expanding the scope of this work to the Dominican Republic and focusing on the dissemination of outcomes/products identified in the roadmap and action plan that has been developed for The Bahamas. Specifically, this TC will consist of two main components: (i) the creation of a roadmap and action plan for the skills development system of the Dominican Republic and in-country workshops with high-level stakeholders to validate their feasibility; and (ii) dissemination of the products through the

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<sup>6</sup> This TC's main components were: (i) understand the main causes of the skills and productivity gaps in the region; and (ii) analyze obstacles for change, and potential regional innovations to overcome them through PPPs, with the support from countries outside the region that have experience in the development of these strategies (such as European countries, Australia, New Zealand and Korea).

implementation of proposals contained in the roadmap and action plan for The Bahamas, focusing on the process of private sector engagement.

**2.9 Strategic alignment.** The TC 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; and (ii) productivity and innovation, through CRF Country Development Results. The TC is also aligned with the priorities of the sector strategy “Social Policy for Equity and Productivity” (GN-2588-4) as it contributes towards effort to promote higher labor market productivity among youth. TC is in alignment with the objective(s) of SOC, according to the GN-2819-1 to strengthen public institutions’ efforts to become more effective and efficient in social programming, group targeting, and social sector project execution. The TC is consistent with the IDB Sector Framework Document for Labour (GN-2741-7) contributing to the goal of the SFD to assist 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 (5.3 A). It is consistent with SFD’s mandate to: design of interventions which are evidence-based and draw on existing knowledge and where no prior knowledge is available, the groundwork will be laid for knowledge generation to inform future operations. The execution of the TC will take into consideration Regional Strategies that might be relevant for the studies, action plans and policy dialogues. The Bank has been actively supporting the GoBH in the design and approval for the implementation of a new Apprenticeship Programme through the Skills for Current and Future Jobs in The Bahamas (BH-L1037). The Bank 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);<sup>7</sup> and (iii) support labour markets and skills development with a special emphasis on capacity and institution (BH-T1035, ATN/OC-14040-BH). The proposed activities are aligned with the Country Strategy of The Bahamas 2013-2017 (GN-2731) under the area of Private Sector Development that aims to improve alignment between the labor supply and the needs of employers and preparing individuals for self-employment. The Country Strategy of the Dominican Republic 2017-2020 is currently under development.

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

**3.1 Component 1: Roadmap and Action Plan Development and Feasibility and Validation Workshops for the Dominican Republic (US\$70.000).** This component will include: (i) assessment of the current state of labor market and skills development system in the DR<sup>8</sup>; (ii) design of a skills roadmap and action plan for the Dominican Republic, taking into consideration specific challenges such as youth unemployment and female labor force participation; and (iii) feasibility and validation workshops to present the skills roadmap and action plan to key stakeholders. The assessment will be concentrated in understanding how pertinent the labor market and skills development system is in reaching the needs of the productive sector identified in the McKinsey Report (2016) and the roadmap and action plan will contain concrete steps in the short, medium, and long terms for the strengthening of the skills development

<sup>7</sup> 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/>.

<sup>8</sup> LMK has developed a diagnostic tool that uses as its basis 5 functional categories of a skills system, which include: (i) identification of private sector skills needs; (ii) budget planning and fund assignment; (iii) curriculum development based on qualification and certification of competences; (iv) quality assurance mechanisms; and (v) adequate regulatory frameworks. The tool helps to systematically assess countries’ capacity to link supply and demand of human resources and address the productivity gap.

system. More specifically, the latter will focus on the establishment of private sector engagement mechanisms to achieve increased and more active participation from employers in skills development in strategic economic sectors.<sup>9</sup> The roadmap and action plan will consider opportunities and challenges and best practices in other countries, which have been identified through previous TCs and which will continue to be explored in more depth through this new initiative. Finally, this component will also include a more focused dialogue with representatives from the public and private sectors and civil society. The objective of this dialogue will be twofold: (i) to validate the findings from the assessments described under this component; and (ii) to evaluate the feasibility and timing of the action plans and roadmaps and their associated policy options.

- 3.2 **Component 2: Public-Private Partnerships for Skills Development for the Roadmap and Action Plan Implementation in The Bahamas (US\$126.000).** This component will seek to materialize the actions identified within the already developed Skills Roadmap and Action Plan for The Bahamas under RG-T2611, ATN/KP-15014-RG, related to the implementation of public-private partnerships proposals to ensure a demand-driven approach to skills development. The proposals will identify two sectors<sup>10</sup> linked to the countries' overarching development strategy and that have a high potential to create good quality jobs (formal) and that pay above the average of the country. The sectors will be analyzed through the following: (i) current and future economic importance for the country (i.e. imports, exports, investment attraction opportunities, etc.); (ii) mapping of current sector-based arrangements per country; (iii) using desk research, an overview of occupations/job roles and skills requirements for the sector and potential career paths (taking into consideration specific challenges such as youth unemployment and female labor force participation); (iv) analysis of the future of work in the identified sector and occupations/roles due to advancements in technology and changing ways of working e.g. telework etc.; (v) stakeholder analysis for the sectors; and (vi) lessons learned from previous private sector engagement experiences in skills development (if applicable). The proposals will serve as inputs for the implementation of two Sector Skills Councils<sup>11</sup> as outlined under BH-L1037, 3787/OC-BH and as such will be complementary to efforts that are already underway in the country to strengthen skills development.
- 3.3 The total amount of funding requested is US\$200,000, from Ordinary Capital Strategic Development Program for Social Development (SOC), nonrefundable, showing allocations for each component per the budget below.

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<sup>9</sup> In 2016, the government of the DR, with IDB support, commissioned a study of the five industries/sectors with greatest growth and export potential for the next 5 years. This TC will seek to contribute to increase labor productivity in these five (5) sectors through proposals to: (i) create and/or strengthen programs and mechanisms that allow on-the-job training in a structured manner and following pre-established and regulated contents; (ii) create information mechanisms about the opportunities and returns to education in the labor market by occupation and sector; and (iii) improve links between employers and training providers in the shaping of curricula, among others.

<sup>10</sup> BH-L1037 "Skills for Current and Future Jobs in The Bahamas" has prioritized the sectors of Maritime, Medical Services, and IT/Telecommunications for the establishment of a nation-wide apprenticeship program. This TC aims to support these efforts and as such the private sector engagement strategy should ideally focus on two of these sectors.

<sup>11</sup> Sector skills councils are 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 quality assurance for apprenticeships programs by setting occupational standards and assessment methodologies for the apprentice.

### Indicative Budget (US\$)

Activity/Component	Description	IDB/Fund Funding SOC
<b>Component 1: Roadmap and Action Plan Development and Feasibility and Validation Workshops for the Dominican Republic</b>		
<b>1.1 Assessment of the current state of labor market and skills development system</b>	Assessment of macro economy, industry and employment structure, and the current state of labor market and skills development systems (challenges and opportunities) in the Dominican Republic	<b>15,000</b>
<b>1.2 Development of Skills Roadmap and Action Plan</b>	Roadmap and Action Plan for the Dominican Republic to strengthen its labor market and skills development systems	<b>45,000</b>
<b>1.3 Roadmap and Action Plan Feasibility and Validation Workshops</b>	Workshops held with representatives from the private, public, and academic sectors to evaluate the feasibility and validate the proposed Roadmap and Action Plan	<b>10,000</b>
<b>Sub-total</b>		<b>70,000</b>
<b>Component 2 Public-Private Partnerships for Skills Development for the Roadmap and Action Plan Implementation in The Bahamas</b>		
<b>2.1 Design and support to initial implementation of two Public-Private Partnerships for Skills Development</b>	Design and initial implementation of two Public-Private Partnerships for Skills Development in concrete sectors with the objective of strengthening the labor and skills development systems in The Bahamas	<b>126,000</b>
<b>Sub-total</b>		<b>126,000</b>
<b>Incidentals</b>		<b>4,000</b>
<b>TOTAL</b>		<b>200,000</b>

## IV. Executing agency and execution structure

- 4.1 The Labor Markets and Social Security Unit (SCL/LMK) will be responsible for the direction, supervision and coordination of this TC. This is a Regional TC that has as its objective to develop knowledge and strategic products on skills development and to deliver workshops to promote public-private collaboration in this area. The Dominican Republic and The Bahamas have been pre-identified as the beneficiaries of this TC based on their interest in receiving collaboration from the Bank to support the process of private sector engagement for labor productivity. In the case of the Dominican Republic, this TC will support the design of a roadmap and action plan for the skills development system in articulation with high growth sectors. In the case of the Bahamas, the country is to begin the implementation of a new Apprenticeship Programme through investment support on “Skills for Current and Future Jobs” and seeks the Bank’s guidance in the process. A second reason for the selection of the countries was the urgent need for a reform of the skills development systems to address the countries’ skills gaps and their implications on productivity and employment levels, particularly for the youth. Given the experience of the Labor Markets Division of the IDB in these areas, SCL/LMK will be responsible for the execution, procurement and supervision of the products included within it.
- 4.2 **Procurement.** The Bank will contract individual consultants, consulting firms and non-consulting services in accordance with Bank’s current procurement policies and procedures<sup>12</sup>.

<sup>12</sup> For the selection of individual consultants, the Human Resources procedures will apply (AM 650); for the selection of consultancy firms, the Policies for the Selection and contracting of Consultants Financed by



- 4.3 **Monitoring and Reports.** Each country will have SCL/LMK specialists as a focal point to monitor the activities planned in this TC. If there is a need to travel to these countries, the staff will cover their travel expenses with the Bank's supervision budget for this TC. SCL/LMK specialists will be in charge of the submission of annual progress reports, completion reports (6 months after the date of completion of the operation), and others regarding this TC, as required by the Grants and Co-financing Management Unit (GCM).
- 4.4 **Execution and disbursement periods.** The execution and disbursement periods will be 36 months.

## **V. Major issues**

- 5.1 There are no major risks associated with the execution of this technical cooperation except for the limited availability of data/information that might be required and the high degree of cooperation between the public and private sectors that is required to successfully strengthen countries' skills development systems through the implementation of actions within the roadmaps and action plans. To mitigate this risk, this TC will map key stakeholders in both countries and will monitor their participation in the different stages of the design and/or implementation of the Roadmaps and Action Plans.

## **VI. Exceptions to Bank policy**

- 6.1 None

## **VII. Environmental and Social Strategy**

- 7.1 Due to its nature, this TC is not expected to have significant social or environmental negative impact. Therefore, based on the Environmental and Social Safeguard Filter Compliance Policy (OP-703), the proposed technical assistance has been classified as category C. (See [Safeguard Policy Filter](#) and [Safeguard Screening Form](#)).

### **Required Annexes:**

- Request from client (not applicable for R&D)
- [Results Matrix](#)
- [Terms of Reference for activities/components to be procured](#)
- [Procurement Plan](#)

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the IDB (GN-2765-1). And, in the case of contracting services other than consultancies, the procedures and the Institutional Procurement Policy (OP-1155-4) will apply.