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Report No. P-4820-BM

MEMORANDUM AND RECOMMENDATION

OF THE

PRESIDENT OF THE

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

TO THE

EXECUTIVE DIRECTORS

ON A

PROPOSED LOAN

IN AN AMOUNT EQUIVALENT TO US$10.0 MILLION

TO

THE COMMONWEALTH OF THE BAHAMAS

FOR A

SECOND TECHNICAL AND VOCATIONAL TRAINING PROJECT

November 1, 1988

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CURRENCY AND EQUIVALENT UNIT

Currency Unit	Bahamian Dollar (B$)
B$ 1.00	= US$ 1.00

WEIGHTS AND MEASURES

The International System of Units is used throughout this memorandum.

ABBREVIATIONS

BHTC	Bahamas Hotel Training College
ITC	Industrial Training Center (of NTC)
NTC	National Training Council
PIU	Project Implementation Unit
UWI-CHTM	University of the West Indies Centre for Hotel and Tourism Management

FISCAL YEAR

January 1 - December 31

SCHOOL YEAR

September - August

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COMMONWEALTH OF THE BAHAMAS

SECOND TECHNICAL AND VOCATIONAL TRAINING PROJECT

Loan and Project Summary

Borrower:	Government of the Commonwealth of The Bahamas	
Beneficiaries:	Ministries of Education, Employment and Immigration, and Tourism	
Loan Amount:	US$10.0 million equivalent	
Terms:	Fifteen years, including a five-year grace period, at the Bank's standard variable interest rate.	
Financing Plan:	Government	US$ 7.4 million
	IBRD	US$10.0 million
	TOTAL	US$17.4 million
Economic Rate of Return:	Not applicable	
Staff Appraisal Report:	Report No. 7263-BM	
Map:	IBRD 20756r	

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MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT
OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
TO THE EXECUTIVE DIRECTORS
ON A PROPOSED LOAN TO
THE COMMONWEALTH OF THE BAHAMAS
FOR A SECOND TECHNICAL AND VOCATIONAL TRAINING PROJECT

1. The following memorandum and recommendation on a proposed loan to the Commonwealth of The Bahamas for US$10.0 million equivalent is submitted for approval. The proposed loan would be for a term of 15 years, including five years' grace, and would help finance a second technical and vocational training project.

2. Background. Since independence in 1973, the economy of The Bahamas has expanded at an average annual rate of 3.0%. Tourism, with related services, has grown to become the country's largest industry and now accounts for 35% of GDP and, directly and indirectly, as much as 50% of overall employment. But further growth and future competitiveness of the tourism sector are constrained by a shortage of trained Bahamian workers in a broad range of occupations, both in hospitality-related fields and in services such as transportation and technical maintenance. This shortage of skills contributes to relatively low productivity of tourism services and to an excessive dependence on expatriates, who comprise about 10% of the workforce in skilled and technical occupations. The adverse effects are felt particularly in the Family Islands (24 secondary islands, with about 20% of the population), where the potential for new investments is large, but expansion is constrained by a lack of suitably skilled manpower.

3. The Government is aware of the existing skills shortages--which coexist with substantial open unemployment--and, over the past two decades, has sustained a major effort to develop the country's overall education and training system. While it has been successful in general education, with participation rates in excess of 95% in primary and 75% in secondary education, it has fallen far short of meeting vocational and technical training needs. In particular, the country's tourism training institutions--the Bahamas Hotel Training College (BHTC) under the Ministry of Education, the regional University of the West Indies Centre for Hotel and Tourism Management (UWI-CHTM), and the BahamaHost Program of the Ministry of Tourism--continue to operate in substandard facilities, even though these institutions are receiving financing for operations from employers and trade unions and have been able to generate substantial additional revenue through fees and services.

4. Some progress in training has been made with Bank assistance under the First Technical and Vocational Education Project (Ln. 1962-BM). This project helped organize a national manpower training system, including the creation of a National Training Council (NTC) with representatives of employers. It has also been instrumental in strengthening key training institutions, increasing their outputs, and improving, in particular, the quality of preservice training of mechanical and construction technicians and health workers. Among remaining training deficiencies, the more critical are: limited capability of training institutions to respond flexibly to changes in labor markets; insufficient private sector inputs to

training, including lack of institutional arrangements for private sector participation in advisory boards or training policy committees; the very narrow coverage of a fledgling apprenticeship system; insufficient cost recovery in public institutions and inadequate targeting of subsidies to needy students; lack of critical skills among selected categories of employed workers, such as mechanics and tradesmen in construction, maintenance workers and supervisors, and management personnel; weak coordination and articulation among training programs in general, and particularly at the post-secondary level and in tourism training; and limited opportunities and facilities for training for adults and out-of-school youth in some geographic areas.

5. In view of continued growth of the Bahamian economy and the prospects for development of tourism, improvements are required in training, both in policies for management and finance and in the quality and diversity of programs. Government training policy and strategy addresses these concerns, emphasizing the need to improve and expand training in a cost-effective and cost containing manner; the proposed project would help translate the strategy into concrete actions.

6. Rationale for Bank Involvement. In 1984 the Executive Directors were advised of the intention to graduate The Bahamas from Bank lending after a phase-out period of four years. The phase-out lending program involves a water and sewerage loan of US$10.0 million (approved on October 14, 1986), and the proposed Second Technical and Vocational Training Project. Thus, the proposed loan would be the last one to the country. Bank strategy for training is to support adjustment in management and finance policies in order to increase: the responsiveness of the training system to labor market requirements; the opportunities for individuals to enhance their technical knowledge and skills; the sustainability of public training institutions; and the productivity of training expenditures. Given experience acquired under the first project, and by being able to offer a combination of technical and financial assistance centered around improved policies for training management and finance, the Bank is well positioned to help achieve major improvements in this sector.

7. Project Objectives. The proposed project would assist the second phase of the Government's long term strategy to develop its training system. By focussing on improved labor market information, new arrangements to strengthen institutional coordination and private sector participation, and increased cost recovery in public institutions providing training for the tourism sector as well as for other service sectors, it would help develop an institutional and policy framework for management and finance of training that would make more efficient use of available training resources, both public and private. In addition, the project would improve planning of post-secondary education and training; upgrade and expand training capacity primarily for the hotel and tourism sectors and in the Family Islands; improve the relevance of training by developing curricula that concentrate on clusters of related skills; and expand training opportunities in selected Family Islands.

8. Project Description. The project would have four mutually supporting components. The Institutional Development and Policy Implementation Component (8% of project cost) would implement policies and procedures to make the entire training system more responsive to labor

market needs and to ensure its future sustainability, and would provide specialist assistance and studies, staff training, and equipment in order to (a) improve the labor market information system; (b) expand the apprenticeship system; (c) strengthen NTC and its national advisory committees, and create local training committees with employers' representatives; (d) increase cost recovery in both preservice and inservice training, and achieve better targeting of subsidies under the Government's training stipend program to needy individuals; and (e) improve coordination among training institutions, introduce a graduate tracer system as a means to evaluate training efficiency and employment outcomes, and prepare a master plan for post-secondary education. The Skills Training Component (36%) would improve and expand training in priority skills which are not hospitality-specific but yet essential for supporting infrastructure and services, such as construction and technical maintenance, and would (a) provide new training programs and related complementary equipment and facilities, including mobile units, and a maintenance and supply center, for preservice training of adults and out-of-school youth as well as for secondary students, and (b) establish a program of inservice training, fully financed by beneficiaries, at two existing Industrial Training Centers (ITCs) and 22 Community Skills Centers and Area Vocational Centers located in the 11 major islands. These training programs, operated in a modular and short-course format, would be prepared under the oversight of national and local training advisory committees and would be delivered flexibly in response to labor market needs. The Tourism Training Component (50%) would improve and expand training directly related to the tourism industry and would include (a) technical assistance to prepare and implement measures to strengthen and coordinate training programs for the tourism industry, develop training materials, and train teachers; and (b) civil works, furniture and equipment for a new Hotel Training Institute to be used jointly by BHTC, UWI-CHTM and the BahamaHost Program. The Project Management Component (6%) would include expanded staffing and training for the existing project implementation unit. The project would be carried out over a period of six years. The total cost of the project is estimated at US$17.4 million equivalent, including taxes and duties estimated at US$2.0 million, and with a foreign exchange component of US$11.5 million (66%). The project cost summary and financing plan are shown in Schedule A. The proposed loan of US$10.0 million (57% of project cost) includes US$400,000 of retroactive financing to enable the Government to initiate technical assistance and consultant services whose outputs are necessary for project startup. Amounts and methods of procurement and the disbursement schedule are shown in Schedule B. A timetable of key project processing events and the status of Bank Group operations in The Bahamas are given in Schedules C and D, respectively. A map is also attached. The Staff Appraisal Report No. 7263-BM, dated October 24, 1988, is also attached.

9. Actions Agreed. During negotiations, agreement was reached with the Government on the following: (a) plans of action to implement the labor market information system and expand the apprenticeship system, and a dated program to introduce adjustments in management and finance of training. Specific actions are to: (i) establish subject-matter advisory committees and local training committees by December 31, 1989, establish the labor market information system, in a form acceptable to the Bank, by June 30, 1989, and implement the system for maintenance and materials supply by June 30, 1990; (ii) implement policies, criteria and procedures, acceptable to

the Bank, enabling NTC to receive and expend funds for training, and to target training stipends on needy students by June 30, 1989; (iii) expand the apprenticeship system to six trades each in New Providence and Grand Bahama by December 31, 1990; (iv) complete the master plan for post-secondary and higher education by December 31, 1991; and (v) achieve no less than 50% employer financing of preservice training in BHTC by December 31, 1991; (b) an action plan to be sent to the Bank for its comments by June 30, 1990, to achieve the proposed improvements in training delivery and management and the training of managers and instructors. Revised preservice and inservice training programs would be presented to the Bank for comment by June 30, 1990 and implemented, in a form acceptable to the Bank, beginning with academic year 1990/91, and a graduate tracer system satisfactory to the Bank would be introduced by December 31, 1989; and (c) a management structure, and financing and operation programs of the joint tourism training facility acceptable to the Bank. Specifically, an agreement was reached that the tourism training component would be implemented in accordance with the recommendations made by consultants in a recently completed Special Study of Hotel Training in The Bahamas, including terms, conditions, timetable and management arrangements for efficient operation and sharing among the participating institutions of the new joint Hotel Training Institute. Conditions of loan effectiveness would be that the Project Implementation Unit would have been established and that the project manager and a procurement specialist would have been appointed; and that the titles of the sites for the Hotel Training Institute and the ITC in Freeport would have been legally transferred to the Ministry of Education. The appointment of a civil works coordinator would be a condition for disbursement against the civil works category.

10. Benefits. The project would help improve the quality and productivity of hotel and tourism services, as well as those of other industries and services. This would ultimately reduce the current reliance on expatriate personnel in the industry, thereby making The Bahamas more competitive as a tourist destination in the region. It would also help to achieve more balanced development by providing greater training opportunities in the Family Islands.

11. Risks. The proposed project is not expected to face any unusual risks. Project implementation arrangements were established under the previous Bank loan in the sector. These have been functioning well and will be used for the proposed project with selective strengthening to assure a uniform rate of implementation.

12. Recommendation. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank and recommend that the Executive Directors approve the proposed loan.

Barber B. Conable
President

Attachments

Washington, D.C.
November 1, 1988

THE BAHAMAS

SECOND VOCATIONAL AND TECHNICAL TRAINING PROJECT

Estimated Costs and Financing Plan

Estimated Project Cost[a]

Project Component	Local	Foreign	Total
	-------US$ million-------		
Institutional Development and Policy Implementation	1.01	0.26	1.27
Skills Training	1.40	3.89	5.29
Tourism Training	2.02	5.22	7.24
Project Management	0.65	0.19	0.84
Base Cost	5.08	9.56	14.64
Physical Contingencies	0.32	1.04	1.36
Price Contingencies	0.50	0.90	1.40
Total Project Costs	5.90	11.50	17.40

a/ Including taxes and duties estimated at US$2.0 million.

Financing Plan

	Local	Foreign	Total
	-----------US$ million---------		
Government	5.90	1.50	7.40
IBRD	0.00	10.00	10.00
Total	5.90	11.50	17.40

THE BAHAMAS

SECOND VOCATIONAL AND TECHNICAL TRAINING PROJECT

PROCUREMENT METHODS AND DISBURSEMENTS

Category	Procurement Method ICB	LCB	OTHER	TOTAL
	--------------(US$ million)-------------			
Civil Works	6.20 (3.40)	3.00 (1.60)	-	9.20 (5.00)
Furniture, Equipment, and Educational Materials	3.60 (2.70)	0.70 (0.60)	0.30 (0.20)	4.60 (3.50)
Technical Assistance	- -	-	1.40 (1.40)	1.40 (1.40)
Operating Costs for Project Administration	- -	-	2.20 (0.10)	2.20 (0.10)
TOTALS	9.80 (6.10)	3.70 (2.20)	3.90 (1.70)	17.40 (10.00)

NOTE: Numbers in parentheses represent the respective amounts which would be financed by the Bank.

Disbursements

Category of Expenditures	Amount of the Loan Allocated (US$ Equivalents)	% of Expenditures to be financed
Civil Works	4,600,000	50%
Furniture, Equipment and Educational Materials	3,000,000	100% of CIF cost of foreign expenditures, 100% of ex-factory costs of locally manufactured furniture, and 65% of local expenditures for items procured locally
Technical Assistance	1,200,000	100%
Travel, Communications, Materials for Project Administration	75,000	100%
PPF Refund	325,000	
Unallocated	800,000	
TOTAL	10,000,000	

Estimated IBRD Disbursements — **IBRD Fiscal Year**

	89	90	91	92	93	94	95
	US$ million						
Annual	0.8	2.0	2.4	2.0	1.7	0.7	0.4
Cumulative	0.8	2.8	5.2	7.2	8.9	9.6	10.0

THE BAHAMAS

SECOND VOCATIONAL AND TECHNICAL TRAINING PROJECT

Timetable of Key Project Processing Events

Time taken to prepare:	7 months
Prepared by:	Government with Bank Assistance
First Bank Mission:	October 1987
Appraisal mission departure:	April 10, 1988
Date of Negotiations:	September 22-23, 1988
Planned Date of Effectiveness:	January 15, 1988
List of relevant PCRs and PPARs	PCR for Ln. 1962-BM[1]

1/ First draft is being prepared by Borrower.

STATUS OF BANK GROUP OPERATIONS IN THE BAHAMAS

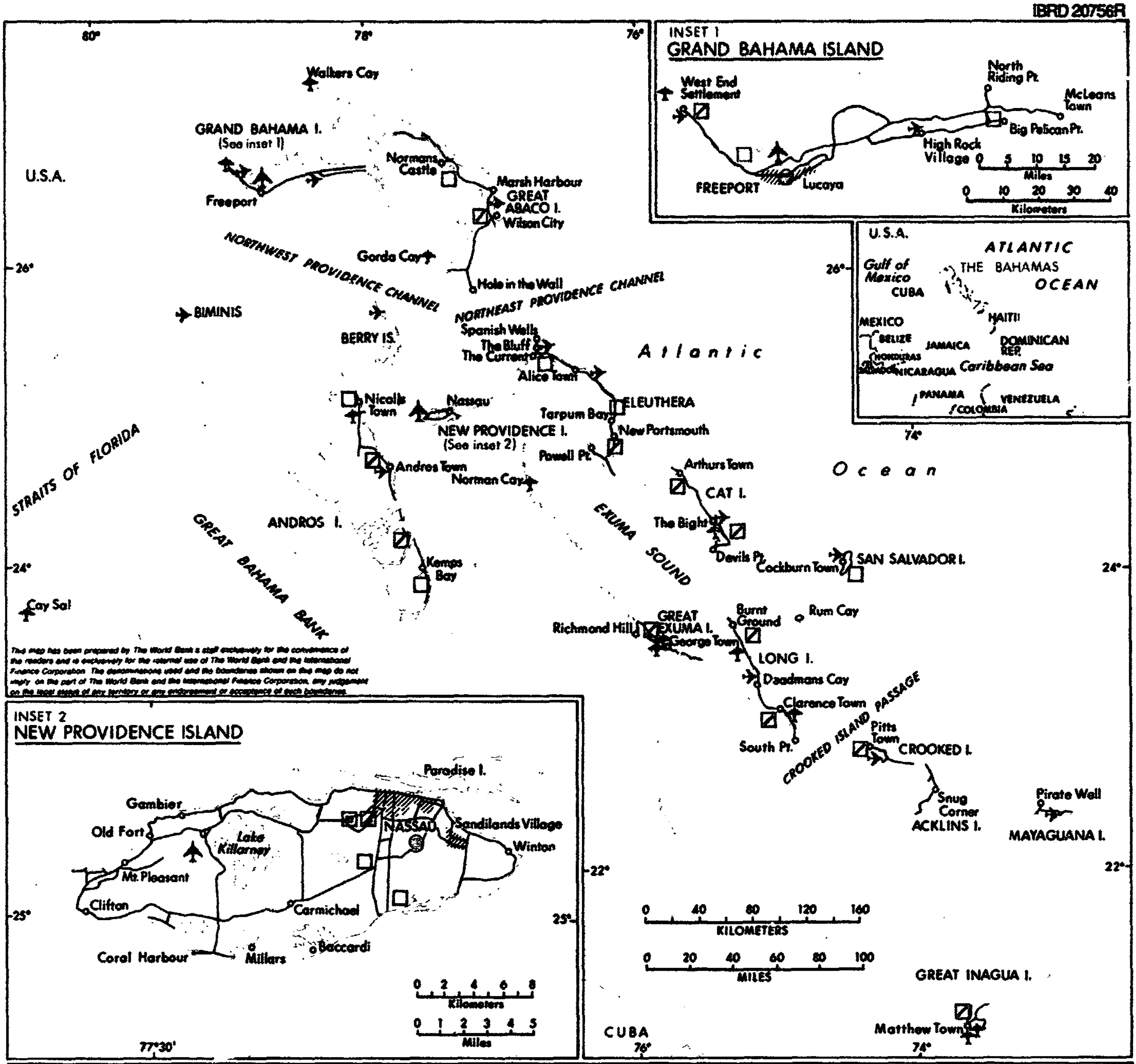
A. Statement of Bank Loans as of September 30, 1988

Loan No.	Fiscal Year	Borrower	Purpose	---US$ Million--- Amount (Less Cancellations) Bank	Undisbursed
1 loan fully disbursed				10.0	
1962-BAH	1981	The Bahamas	Vocational/Technical	6.5	0.2
2089-BAH	1982	The Bahamas	Urban	5.8	0.1
2756-BAH	1986	Water and Sewerage Corp.	Water Supply and Sewerage	10.0	10.0
		Total (Net of Cancellations)		32.3	
		of which has been paid		9.3	
		Total Now Outstanding		23.0	
		Total Undisbursed			10.3

B. Statement of IFC Investments as of September 30, 1988

None

IBRD 20756R



THE BAHAMAS

SECOND TECHNICAL AND VOCATIONAL TRAINING PROJECT

- INDUSTRIAL TRAINING CENTER
- COLLEGE OF THE BAHAMAS
- HOTEL TRAINING COLLEGE
- COMMUNITY SKILLS CENTERS
- COMMUNITY SKILLS CENTERS (TO BE EQUIPPED ONLY)
- MAIN ROADS
- INTERNATIONAL AIRPORTS
- MAJOR AIRFIELDS
- MINOR AIRFIELDS

SEPTEMBER 1988