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On or after 23 September 2015

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To: The Executive Directors
From: The Secretary
Subject: Barbados. Proposal for a loan for the project “Strengthening Human and Social Development in Barbados”

Basic Information: Loan type Specific Investment Operation (ESP)
Borrower Government of Barbados
Amount up to US\$5,000,000
Source Ordinary Capital
Amount up to US\$5,000,000
Source China Cofinancing Fund for Latin America and the Caribbean

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Remarks: Under the provisions set forth in document AB-2990, “Enhancing Macroeconomic Safeguards at the Inter-American Development Bank” (paragraph 2.4), there is a restriction on the disbursement speed of this investment loan, as indicated in the loan proposal.

Management has determined that this loan proposal meets the requirements for presentation by Simplified Procedure, in accordance with Part III, Section 2 (paragraph 3.29(b)) of the Regulations of the Board of Executive Directors and document GN-1838-1, paragraph 2.

Reference: AB-2990(5/14), AG-9/14, GN-1838-1(7/94), DR-398-17(1/15), GN-2805 (3/15), GN-2686-4(1/13), DE-246/12, PR-3275(6/08), PR-3363(11/08), PR-3876(6/12), DE-62/12

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BARBADOS

STRENGTHENING HUMAN AND SOCIAL DEVELOPMENT IN BARBADOS

(BA-L1032)

LOAN PROPOSAL

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ABBREVIATIONS

ALMP	Active labor market policy
AOP	Annual Operating Plan
BCC	Barbados Community College
BVTB	Barbados Vocational Training Board
CALC	Country Assessment of Living Conditions
CBET	Competence Based Educational Training
CBTF	Competency Based Training Fund
CDB	Caribbean Development Bank
CHC	China Cofinancing Fund for Latin America and the Caribbean
EA	Executing Agency
ESMR	Environmental and Social Management Report
ESS	Environmental and Social Strategy
ETF	Employment and Training Fund
FSO	Fund for Special Operations
FY	Fiscal Year
GCI-9	Ninth General Capital Increase
GDP	Gross Domestic Product
GOB	Government of Barbados
HF	Household facilitators
HRD	Human Resources Development
IBP	ISEE Bridge Program
ICAS	Institutional Capacity Assessment System
IDB	Inter-American Development Bank
ILO	International Labor Organization
ISEE	Identification, Stabilization, Enablement and Empowerment
LAC	Latin America and the Caribbean
M&E	Monitoring and Evaluation
METI	Ministry of Education, Science, Technology and Innovation
MFE	Ministry of Finance and Economic Affairs
MGDS	Medium-term Growth and Development Strategy
MH	Ministry of Health
MIS	Management information system
MLSD	Ministry of Labour, Social Security and Human Resource Development
MSCD	Ministry of Social Care, Constituency Empowerment, and Community Development
NA	National Assistance
NEB	National Employment Bureau
NIS	National Insurance Scheme
OC	Ordinary Capital of the Bank
OECD	Organization for Economic Co-operation and Development
PEP	Pluriannual Execution Plan
POA	Plan of Activities
PES	Public Employment Services
POD	Proposal for Operation Development
POM	Program Operations Manual
PES	Public Employment Services
PEU	Program Execution Unit
PMI	Project Management Institute

PMT	Proxy Means Test
PPP	Public-Private Partnerships
PSC	Program Steering Committee
SFD	Sector Framework Document
SJPP	Samuel Jackman Prescod Polytechnic
SSF	Safeguard and Screening Form for Screening and Classification of Projects
SSN	Social safety-net
TFP	Total factor productivity
TVET	Technical and Vocational Education and Training
UB	Unemployment Benefit
UNDP	United Nations Development Program

PROJECT SUMMARY
BARBADOS
STRENGTHENING HUMAN AND SOCIAL DEVELOPMENT IN BARBADOS
(BA-L1032)

Financial Terms and Conditions				
Borrower: Government of Barbados			Flexible Financing Facility ^(a)	
			Amortization Period:	25 years
Executing Agency: Ministry of Social Care, Constituency Empowerment, and Community Development (MSCD)			Original WAL:	15.25 years
			Disbursement Period:	5 years
Source	Amount US\$	%	Grace period:	5.5 years
IDB (OC) ^(b) :	5 million	50	Supervision and Inspection Fee:	(d)
China Cofinancing Fund (CHC) ^(c) :	5 million	50		
Total:	10 million	100	Interest Rate:	Based on LIBOR
			Credit Fee:	(d)
			Currency of Approval:	US Dollars chargeable to the Ordinary Capital and China Co-Financing Fund
Project at a Glance				
Project Objective/Description: The objective of the program is to contribute to the reduction of extreme poverty and unemployment in Barbados. The program will be structured in three components, with the following specific objectives: (i) reduce extreme poverty through the expansion and consolidation of the Identification, Stabilization, Enablement, Empowerment (ISEE) Bridge Program; (ii) reduce unemployment through improved employment services and demand-driven technical training; and (iii) create an efficient Management Information System (MIS) that connects programs executed by MSCD, Ministry of Labour, Social Security and Human Resource Development (MLSD) and related institutions.				
Special contractual conditions prior to first disbursement: (i) approval of the Annual Operational Plan by the Executing Agency (EA); (ii) approval of the Program Steering Committee by Cabinet and of its terms of reference, which set forth the roles of each of its members and their commitments towards the prioritization of ISEE Bridge program (IBP) beneficiaries in the provision of public services; (iii) that the following posts are filled, in accordance with Terms of Reference previously agreed upon with the Bank: Program Coordinator, Procurement Specialist, Accountant, and Project Officer; and (iv) approval of the Program Operations Manual by the Program Steering Committee (¶3.4).				
Exceptions to Bank Policies: None.				
The project qualifies for ^(e) : SV X PE X CC CI				

- (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) Pursuant to Document AB-2990, the disbursement of funds from both sources of financing for this program, OC resources of the Bank and China Co-financing Fund for Latin America and the Caribbean (CHC) resources, will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the Loan operation is approved by the Board of Executive Directors 2.2.
- (c) Co-financing resources to be provided by the CHC. The terms and conditions for this segment of the financing will match those applicable to Ordinary Capital resources, in accordance with GN-2686-4.
- (d) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.
- (e) SV (Small and Vulnerable Countries), PE (Poverty Reduction and Equity Enhancement), CC (Climate Change, Sustainable Energy and Environmental Sustainability), CI (Regional Cooperation and Integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, Problem Addressed, Justification

- 1.1 **Macroeconomic context.** Barbados is a small open economy of 280,000 people with per capita income of US\$15,373, ranked as a high human development country (59 out of 187 countries) on the Human Development Index, the 5th more developed in Latin America and the 2nd in the Caribbean behind The Bahamas. (UNPD, 2014). Its economy is driven by tourism, which directly contributes around 12% of GDP through hotels and restaurants, but indirectly over 40% of GDP through construction, manufacturing and services.¹ The 2008 financial crisis exposed structural weaknesses in the country, and resulted in a contraction of real GDP equivalent to -4.1% in 2009 and marginal growth thereafter (0.3% annually), with sectors critical to the tax base abridging even more. Tourist expenditure fell by 23% between 2009 and 2011, leading to a reduction in the demand for tourism-related services and higher unemployment rates.² The outlook for economic growth is modest over the medium term. The Central Bank estimates growth rates of 1.2% in 2015 and 2.5% in 2016 (IDB, 2015).
- 1.2 Social and labor indicators deteriorated as a result of the macroeconomic context: poverty, inequality and unemployment increased. The incidence of poverty has grown from 13.9% in 1996/97 to 19.3% in 2010 (CDB, 2012), which is the latest year with an available estimate. Over the same period, inequality, as measured by the Gini coefficient, increased from 0.39 to 0.47. The extreme poverty rate in 2010 was 9.1%. Vulnerability to poverty may be linked by inequality levels in human capital investment across income groups. For example, children in poor household are less likely to participate in early childhood development activities than children in rich households.³ The percentage of persons who have not completed secondary education in the richest quintile is 14% compared with 38% in the poorest quintile. Finally the percentage of persons who are not currently enrolled in an educational institution who do not have any certified qualifications in the labor market is 55.9% for the poorest quintile, compared with 18.4% in the richest quintile.⁴ These low levels of achievements in human capital translate into disadvantages in the labor market.⁵
- 1.3 People with low skills face a greater likelihood of unemployment and dependency on social benefits (OECD, 2012). Between 2007 and 2013, the unemployment rate increased from 7.4% to 11.6%, while labor force participation and the employment rate fell by 0.8pp and 3.8pp respectively. The duration of

¹ The tourism sector is the main employer, accounting for approximately 28% of the total workforce. Construction and manufacturing employ 9.5% and 7% of the workforce respectively, while financial and social services account for 45% of employment. Source: Labour Force Survey 2013.

² Unemployment in the tourism sector increased from 9.8% in 2007 to 16% in 2011. Long-stay tourist expenditure dropped from US\$1.1 billion in 2008 to US\$900 million (in real terms) in 2011. Source: Central Bank of Barbados (2012).

³ For example, when both parents work or do not live in the household, 25% of children under 5 in the poorest quintile go to an educational institution compared to 57% in the richest quintile. Data from CALC (2010).

⁴ Defined as a Secondary School Certificate or higher.

⁵ The difference in income between people who complete secondary education and those who do not equals 28.6%.

unemployment also increased: the proportion of people looking for a job for more than 3 months increased from 32.8% in 2007 to 48.1% in 2013. The employment rate among people with no qualifications fell the most (18% between 2007 and 2013). The unemployment rate among people aged 16-30 increased from 11.6% in 2007 to 20.9% in 2013, and even more among youth with secondary school education (23.7%).⁶ Quality and pertinence of education might be a factor, as evidence suggests that even youth who complete secondary education are entering the labor force without the skills demanded by employers⁷ (MLSD, 2010). Information asymmetries about job opportunities might also be a factor, as people tend to use informal networks. Considering the gender dimension, although labor indicators are similar to the total average, there is a high concentration of women employment in traditional jobs as retail sales and social and personal services.

- 1.4 The Government of Barbados (GOB) has attempted to revive economic performance.⁸ GOB is implementing a fiscal consolidation program (2013-2016) accompanied by investment in infrastructure projects. GOB's program focuses on reducing public spending through public sector retrenchment⁹ and lower subsidies and transfers, as well as revenue measures to close fiscal gaps. It also seeks to diversify the economy and trading partners. In 2013, it approved the Medium-Term Growth and Development Strategy (MGDS) 2013-2020, focused on boosting output in key sectors such as tourism, international business and financial services, agriculture, and industry, as well as expanding other sectors (including innovation and science, and small and medium-sized enterprises). Furthermore, GOB approved in 2011 the "Human Resource Development Strategy 2011-2016: Developing National, Institutional and Human Capacity for Sustainable Growth" (HRD Strategy), aimed at developing human and social capital, particularly through investments in skills accumulation.¹⁰
- 1.5 As set out in the MGDS, GOB's social and human development reforms focus on reducing disparities and promoting social inclusion through a strong Social Safety Net system (SSN). The strategy emphasizes the need to build a social services system that promotes independence, by supporting families and individuals to achieve their potential.¹¹ This requires an integral human development approach focused on protection of vulnerable households and human capital development, which provides the conceptual framework for the design of this operation. To this

⁶ Own calculations based on Labour Force Survey 2007 and 2013. Using CALC 2010, the unemployment rate at the time was 11.5% (overall), 14.6% for vulnerable, 19.1% for youth, 23.6% for vulnerable youth.

⁷ These include core skills such as communication skills, numeracy, problem solving, information technology and interpersonal skills. Employers also complain that the youth lack technical skills, which can be acquired through experience and on-the-job training.

⁸ The first measures were reflected in the Medium-Term Development Strategy 2010-2014 and a Medium-Term Fiscal Strategy 2010-2014.

⁹ A large number of public sector workers were severed in 2013/14 (approximately 3,000), as part of GOB's retrenchment program. GOB was not able to provide integrated information to characterize retrenched civil servants in terms of age-groups, gender, and education level.

¹⁰ Implemented mainly by the Ministry of Education, Science, Technology and Innovation and the Ministry of Labour, Social Security and Human Resource Development, with support from a EUR50 million European Union conditional grant. [HRD Strategy](#).

¹¹ To achieve this goal, the MGDS states that the GOB needs to "strengthen the emphasis on active labor market policies (ALMP) and reinforce their effectiveness, as well as improve labor force skills and competences through wide-ranging changes in education and training systems especially to embrace emerging sectors in the economy."

end, GOB recognizes the need to strengthen inter--institutional collaboration, enable evidence-based policymaking; tackle inconsistencies in services, and improve workforce capacity, which will be part of this operation.

- 1.6 An integral human development approach capitalizes on complementarities between social sector activities through: (i) the development of capacities and potentialities of poor households, via investments in human capital (nutrition, health and education); and (ii) the creation of conditions to generate employment and enhance insertion opportunities of those households into productive activities so that they can have access to a better income (Levy and Rodríguez, 2005). The larger talent base resulting from the inclusion of individuals who until now have been excluded from the development process will lead to improved welfare of society and sustainable growth of the economy (IDB 2014).¹²
- 1.7 The main entities responsible for social and human development policies in Barbados are the Ministry of Social Care, Constituency Empowerment, and Community Development (MSCD), the Ministry of Labour, Social Security and Human Resource Development (MLSD), the Ministry of Education, Science, Technology and Innovation (METI), and the Ministry of Health (MH).
- 1.8 **The MSCD administers the SSN programs targeted to the poorest and most vulnerable populations.** The MSCD's main programs include national assistance programs under the Welfare Department of MSCD and the "Identification, Stabilization, Enablement and Empowerment" (ISEE) Bridge pilot.¹³ National assistance (NA) programs are the largest SSN programs, and aim to alleviate moderate poverty. They provide cash and in-kind transfers to those in need with focus on children, the unemployed, persons with disabilities, and the elderly. Cash transfers from NA benefited about 5,000 households and in-kind transfers 8,441 households in fiscal year 2013/14, for a total budget of US\$9.75 million. The rationale behind the development of the ISEE Bridge Program (IBP) pilot was to provide a more intensive intervention for the extreme poor,¹⁴ who may be excluded from available programs and due to their condition require a closer, more intensive assistance including psychosocial support and program intermediation, which is not delivered by existing NA programs.¹⁵

¹² Redistribution and social inclusion policies contribute to sustainable growth in the economy and to pro-poor growth (Organization for Economic Cooperation and Development, OECD, 2009; International Labor Organization, ILO, 2011). Furthermore, the use of transfers in response to systemic or idiosyncratic shocks can solve market failures and contribute to efficiency, especially if they promote human capital accumulation (Dercon, 2011). Inequality also has a negative effect on the duration and intensity of sustained growth periods (five years or more of 2% growth or higher), which are essential for meaningful and sustained poverty reduction (Ostry et al., 2014).

¹³ In addition, the MSCD oversees the Child Care Board whose mandate is to promote children's rights, while developing changes in legislation that promote the optimum development of children.

¹⁴ The extreme poor are defined as having consumption below the indigence line (US\$1,985), which is equal to the Minimum Cost Food Basket (MCFB). The moderate poor are defined as having consumption below the poverty line (US\$3,930) which is equal to the MCFB plus the minimum cost non-food basket (MCNFB).

¹⁵ Camacho, Cunningham, Rigolini y Silva. 2014. Addressing Access and Behavioral Constraints through Social Intermediation Services A Review of Chile Solidario and Red Unidos. World Bank Policy Research Working Paper 7136. Washington D.C.

- 1.9 The IBP is a program of intense family case management for the extreme poor, designed after *Chile Puente*.¹⁶ MSCD conducted an IBP pilot with 30 beneficiary households lasting from 2012 to 2014. Part of its strategy was based on the connection with existing public services (e.g. education, health, training, etc.). The program focused on seven critical pillars for social and human development (which encompassed 58 minimum conditions).¹⁷ The pillars were: (i) personal identification; (ii) education and human resource development; (iii) health promotion; (iv) family dynamics; (v) housing conditions; (vi) employment; and (vii) income/social benefits. To enter the program, welfare officials assessed potential beneficiaries on the basis of a scorecard made up of 24 indicators. If the family was deemed eligible, a household facilitator (HF) was assigned to provide psychosocial support and link the beneficiary family with existing social and labor programs. Once the minimum conditions in Personal Identification and Education and Human Resource Development had been met, the household was allowed to choose the order in which the remaining ones were worked on. The HF and the family agreed on a two-year action plan to meet the minimum conditions of the seven pillars. The HF accompanied, monitored and followed up on the household's achievements for up to two years.
- 1.10 The SSN executed by the MSCD lacks a basic management information system (MIS) to assess the effectiveness and targeting of its programs. Benefits are assigned based on social workers' case-by-case assessment. The IBP has exposed some of these problems. At the end of the pilot there was only a 47.5% completion on average across the seven pillars with personal identification with the most completion (95.6%) and income and social benefits with the least progress (30%). However, since no baseline data was collected at the beginning of the project, it is not possible to measure whether there was progress in each indicator or not. Targeting analysis of the IBP was not possible since the Country Assessment of Living Conditions (CALC) does not include the necessary questions. Anecdotal data from household facilitators however indicates that there were problems both on the demand side (lack of interest from some beneficiaries on achieving the minimum conditions) and the supply side (long waiting times for health services to be delivered to households) that discouraged households and limited the project's completion of its goals. The pilot program had working arrangements with other ministries that provide services that are related to the program's indicators, but these were not fully employed thus affecting the supply. Also the scorecard needs to be reviewed to avoid subjective indicators.¹⁸
- 1.11 **The MLSD is responsible for Active Labor Market Policies (ALMP) including intermediation services and training.** MLSD manages the National Employment Bureau (NEB), which provides job search assistance, job counselling and referral for training. In addition, MLSD oversees the following agencies: (i) the Technical and Vocational Education and Training (TVET) Council, which sets standards for

¹⁶ The Chilean Puente Program was developed in 2002 and provided the poorest families in Chile with access to psychosocial support and also to three monetary subsidies, preferential access to state programs, occupational (employment) insertion programs and was also interlinked with social security provisions.

¹⁷ Minimum conditions are conditions that families should meet in order to move away from the current condition of extreme poverty. See [IBP pillars and minimum conditions](#) for a description of the 58 minimum conditions.

¹⁸ Such as "The *majority* of the members of the household are unskilled".

certification and accreditation and finances training; (ii) the Barbados Vocational Training Board (BVTB), which provides skills training; and (iii) the National Insurance Scheme (NIS), which implements social insurance program covering public and private sector workers. The NIS manages the Unemployment Benefit (UB) Program that combines up to 6 months of income support with employability support through ALMPs. Monetary payments are conditional on the beneficiary actively looking for a job or participating in training programs.¹⁹

- 1.12 **The MLSD provides limited quality services to job seekers, with low coverage of ALMP.** NEB is best known for the Canadian Farm Labor Program. NEB also offers services for local and overseas employers but they are not fully utilized. Labor officers at NEB are required to be professional vocational counselors but do not possess the capacity and do not receive formal training to carry out their counseling functions. NEB uses a paper-based database with limited use of labor market information and little interaction with training institutions. This translates into shortcomings in the areas of career guidance and counselling, analytic capabilities and customer service. This, in turn, affects outreach not only to employers but also to job seekers, who do not see the agency as having anything to offer them (IDB, 2014). Despite the fact that UB recipients should be referred to NEB and/or training, in practice, this is not observed. In 2013, 13,706 people received UB, but NEB only registered 740 persons, while 1,401 unemployed workers were enrolled in BVTB training programs. In addition, BVTB training programs have lacked alignment with private sector needs and labor market trends. A significant number of training programs are concentrated on low level or traditional occupations (e.g. hairdressing, housekeeping, dressmaking) for which labor demand is dropping, highly seasonal or stagnant (IDB, 2012). In parallel, there is a growing need for specialized skills in areas with potential for job creation such as financial services, cultural industries, hospitality, certain manufacturing industries, and oil and gas industry. Although a certification scheme upon conclusion of training exists, only 60% of trainees become certified. BVTB conducts tracer studies for certain periods and certain training courses.²⁰ Overall, there is insufficient administrative and/or monitoring information to assess the quality and proper functioning of labor policies.
- 1.13 Despite its efforts, Barbados has not yet consolidated an integrated social and human development strategy. The programs executed by MSCD and MLSD have limited coverage and the entities still lack the necessary tools to adequately target beneficiaries, monitor programs' implementation and coordinate among themselves and with other entities when necessary. There is a need to strengthen the linkages between social and labor programs. Currently, the lack of an integrated MIS or other inter-agency coordination mechanisms limit the opportunities for MSCD's clientele to be connected with services within MLSD, such as training programs, job preparation and job matching services (IDB, 2014).

¹⁹ Unemployed workers eligible for UB receive a benefit card at NIS and are required to go to NEB for assistance in looking for a job or using the Unemployment Retraining Fund to gain new skills. Beneficiaries have to visit NEB to obtain a stamp on their Benefits Card to be eligible for continuing benefits.

²⁰ For example, in 2013, BVTB finalized a tracer study for Construction Trades for participants enrolled during April 2010 – March 2011, based on information collected for the Construction Industry Survey (Graduates) 2012.

- 1.14 **The problem that the Bank's program²¹ seeks to address is the prevalence of extreme poverty and high unemployment rates.** This can be achieved through an improved delivery system of SSN and ALMP programs. The program needs to ensure an adequate quantity and quality of supply services to provide human capital development to enable economic independence through a combination of short-term and long-term development policies. Short-term actions, focused on providing access to basic social services become enablers, which in turn facilitate long-term capabilities by raising social competences of the most vulnerable. For instance, by protecting their health status or helping them acquire employable skills, benefits to the most vulnerable can be perpetuated in the long run (UNDP, 2014).
- 1.15 By combining programs such as the IBP with additional interventions, such as labor intermediation and training, individuals are more likely to exit poverty due to an improved productivity and access to work (King and Palmer, 2007; ILO, 2007). This vision is reflected in the country's MGDS 2013-2020 under a unified strategic "umbrella" for human and social development that encompasses poverty reduction, education and training, economic empowerment, among others.
- 1.16 So far impact evaluations of similar programs to IBP only exist for the original *Chile Puente* program.²² The short term impact evaluations (2 years) show positive effects in access to social services and psychosocial indicators (self-esteem) and no effects in labor market outcomes. Long term impact evaluations show positive effects in access to services and in labor market outcomes and poverty reduction; however, labor market outcomes are not robust but seem to be related to the availability of strong supply side labor market components.²³ A more recent review of the design and evidence of *Chile Solidario* and the *Red Unidos* in Colombia highlight both the need to have a strong supply side component to ensure programs are available and effective coordination mechanisms between institutions to ensure a positive impact on beneficiaries, in particular regarding training programs.
- 1.17 The role that public employment services (PES) can play to facilitate effective job placement is vital. To the extent to which a PES moves from simply being an employment service to providing intermediation services that 'intermediate' between employment, education and training on a more continual basis, labor market functioning and quality placement over the medium-term are positively supported (Mazza, 2011).²⁴ Moreover, evidence demonstrates positive effects, particularly in the short-term in reducing unemployment duration (Card et al., 2010). In Barbados, NEB can therefore play a more active role in facilitating transitions from unemployment to training and jobs by linking a range of training providers, supporting better informed individual job-search, and making itself more efficient in the process. Investments to help workers have the right skills currently demanded by employers are essential to put people back to work. Evidence shows that

²¹ A "program" is "a group of related projects managed in a coordinated way to obtain benefits and control not available from managing them individually. Programs may include elements of related work outside of the scope of discrete projects in the program." Definition by Project Management Institute (PMI).

²² An impact evaluation of *Red Unidos* in Colombia was implemented in 2012, however the study measured effects before the program was actually in place so it was omitted from the review of available evidence.

²³ Galasso (2011) evaluates the *Chile Solidario*, the continuation of the original *Chile Puente* program, Peticara (2007), Ginja et al. (2014), Martorano and Sanfilippo (2012). More evidence in monitoring and evaluation plan.

²⁴ The use of PES as a "gateway" to other social and labor services provides greater opportunities to expand the client base, as well as coordinate assistance more efficiently.

collaboration among education and training bodies, employers and economic development authorities should be supported to ensure that the training provided meets the needs of the economy as a whole and of different sectors in particular (OECD, 2012). Technical vocational education and training (TVET) yields better results when it focuses on skills demanded by the market, curricula are continuously updated, and priority is given to growing sectors and/or occupations.²⁵

- 1.18 Modernization of public sector management is essential to enable evidence-based policymaking (MGDS 2013-2020). To adequately deliver social services, it is important to effectively manage statistical information that comes from different sources, mainly administrative systems and population surveys.²⁶ The statistical/information capacity of a given country facilitates the creation of public value by informing the design of public policies, which in turn will allow monitoring and correcting actions governments take.²⁷ Likewise, the international community has recognized the importance of statistics/information for development and the necessity to strengthen national statistical systems, which comprise the key institutional setup to achieve desired results.²⁸
- 1.19 **The Bank in the Sector.** The Bank in recent years has not been involved in the social protection sector of Barbados; however, it has provided support to labor market programs in the country. The Bank is providing support to GOB within the implementation of its HRD Strategy through the Skills for the Future Program (BA-L1016), with an emphasis on improving the effectiveness of TVET, to meet the needs of the most dynamic industry sectors in Barbados. Such program is jointly executed by MLSD and METI, with close collaboration from TVET Council, BVTB and tertiary education entities such as the Samuel Jackman Prescod Polytechnic (SJPP) and the Barbados Community College (BCC). The program is developing competence-based training in four sectors (hospitality, financial services, cultural industries and select manufacturing industries) with potential to create new jobs.²⁹ The program collaborates closely with the private sector to ensure the training covers the necessary skills for effective job insertion. This operation is not only complementary to the Skills for the Future Program, but will also give continuity to the initiatives currently underway. In the area of MIS, the Bank has already financed projects in other institutions focused on improving efficiency and transparency of public administration in Barbados: (i) the Modernization of the Barbados Statistical Service (BSS) (BA-L1009); and (ii) the Modernization of the National Procurement System (BA-L1004).³⁰

²⁵ The evidence shows that the effectiveness of TVET depends directly on linking training to labor demand, and the returns largely depend on the ability of trainees to find work in the occupation for which they trained (OECD, 2010). More evidence in monitoring and evaluation plan.

²⁶ The United States, for example, have developed requirements for evidence-based justification for many social welfare programs, for which federal funding is approved based on a positive cost-effective analysis (Head, 2015).

²⁷ Over 60% of OECD countries use both evaluation and performance measures to assess their government's performance (OECD, 2010).

²⁸ Russell and Muñoz-Ayala (2015).

²⁹ Competence-Based Training (CBT) is a system in which learners are evaluated on their demonstration of knowledge, skills and attitudes in an occupational area. This is different to traditional education which relies on acquiring content-based knowledge (test taking) alone.

³⁰ See [The Bank in the Sector in Barbados](#) for further details.

- 1.20 **Lessons learned.** In 2013, the Barbados Country Office (CBA) prepared an action plan to provide the Bank and GOB with mechanisms to improve project efficiency and, ultimately, developmental impact. Implementation measures include project design optimization, consisting of training PEUs and IDB staff on country processes, and integrating country processes in project design; and project execution improvement, consisting of optimizing the conditions prior period, increasing capacity building in project management and monitoring, and implementing joint IDB and GOB fiduciary cross-training and portfolio review. These lessons were included in program design (project management workshop during orientation mission, current review of the master checklist agreed by CBA and GOB, preparation timeline including times required by GOB prior to negotiation) and planned for program execution (training resources, technical cooperation to support fulfillment of conditions prior). The projects referred to in par. 1.19 are in execution and do not have written lessons learned to cite. However, the execution arrangements of BA-L1016 have been considered in this loan.³¹ The lessons learned from international evidence summarized in par. 1.16-1.18 were also considered in the program's design.³²
- 1.21 **Alignment with IDB lending targets.** The program will contribute to the lending program priorities of the Ninth General Increase in the Resources of the IDB (AB-2764) (GCI-9) for: (i) small and vulnerable countries; and (ii) poverty reduction and equity enhancement. It will also contribute to the regional development goal of extreme poverty rate, and the outputs: (i) individuals receiving targeted anti-poverty programs; and (ii) individuals benefited from programs to promote higher labor market productivity. The operation is also aligned with: (i) the Strategy on Social Policy for Equity and Productivity (GN-2588-3); (ii) the Sector Framework Document (SFD) of Labor (GN-2741-3); (iii) the SFD of Social Protection and Poverty (GN--2784); and (iv) the 2015 Operational Program Report (GN-2805). The program is aligned with the Bank's Country Strategy with Barbados (2015-2018) in the dialogue area of social protection and labor markets.
- 1.22 **Donor coordination.** There are several synergies among the work of other donor agencies foreseen within this program. Effective coordination is sought to be maintained with the Skills for the Future Program (BA-L1016), and the Government's HRD Strategy financed by the European Union, (€1.4) to ensure that complementarities between programs are utilized to effectively accomplish the MDGS goals.

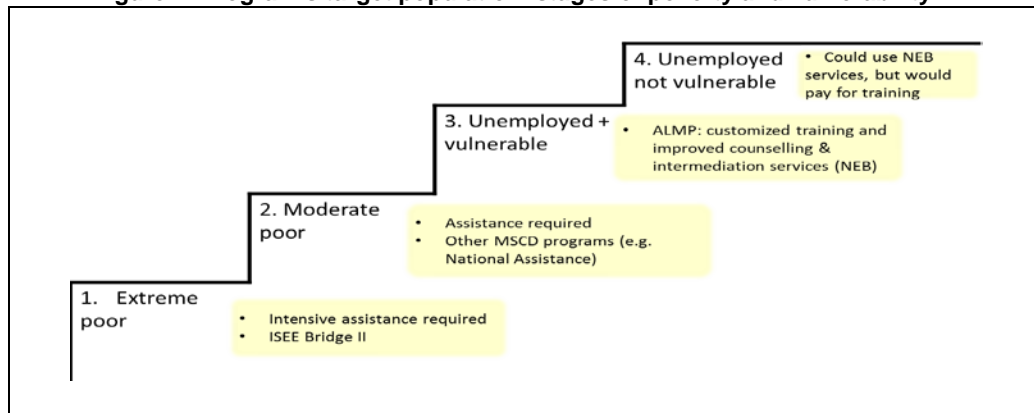
³¹ These arrangements include: the letter of agreement between the executing agency and the collaborating Ministry (in our case, MSCD and MLSD, respectively) and the composition, terms of reference and functioning of the Program Steering Committee (PSC).

³² These include: for IBP beneficiaries, the importance of (i) ensuring supply of services for IBP beneficiaries. The composition of the Program Steering Committee and the content of the Draft Program Operations Manual will address this matter, and the funding to ensure public or private provision when needed. And (ii) linking beneficiaries to training and employment programs, done through services provided under Component 2. For Component 2, the branding and communication campaign of the PES will allow for better engagement with all relevant stakeholders, the training of vocational counselors to provide counselling based on a full range of training and employment opportunities as well as workers' profiles; and the focus of technical training based on private sector needs (demand-driven). The emphasis on an integrated MIS also relies on the importance of informing the design and implementation of public policies.

B. Objective, Components and Cost

- 1.23 The objective of the program is to contribute to the reduction of extreme poverty and unemployment in Barbados. The program will be structured in three components, with the following specific objectives: (i) reduce extreme poverty through the expansion and consolidation of the IBP; (ii) reduce unemployment through improved employment services and demand-driven technical training; and (iii) create an efficient MIS that connects programs executed by MSCD, MLSD and related institutions.³³
- 1.24 The program aims to promote the social inclusion and the accumulation of human capital among the extreme poor and vulnerable with the aim of achieving their productive labor market insertion. These objectives require the improvement and selective expansion of SSN and ALMP implemented by MSCD and MLSD under the unified strategic “umbrella” defined by the MGDS. The program will support and improve existing GOB programs targeted to different population groups (see Figure 1 below). Component 1 will target extreme poor households, while Component 2 will target unemployed people with emphasis on vulnerable youth.³⁴

Figure 1. Program’s target population: stages of poverty and vulnerability



Note: The universe of people in each category is estimated based on calculations from CALC 2010 as follows: 25,228 extreme poor, 28,235 moderate poor; 3,364 unemployed and vulnerable; and 13,404 unemployed not vulnerable.

- 1.25 **Component 1. Expansion of IBP (US\$4.1 millions).** The component will finance an expansion of the original pilot for IBP³⁵ to cover 250 additional households in a period of four years,³⁶ focusing on the following pillars: personal

³³ An efficient MIS identifies duplications in households/individuals benefiting from similar programs, opportunities for enrolment of new households/individuals, serves as a unique and objective entry point for social and labor programs, and generates timely reports for management and decision making.

³⁴ The GOB already provides support through NA program to moderate poor households (stage 2), and non-vulnerable people are beyond the scope of the program (stage 4).

³⁵ The IBP will seek all families to achieve the following minimum requirements: school enrollment, participation in early childhood development programs, remedial learning for adults, health checkups for pregnant women and the elderly, complete vaccinations for children under 5 and participation in the social and labor programs for which a family may be eligible.

³⁶ According to the ISEE Bridge Pilot, beneficiary households are large, averaging 8.1 members. Based on this number, the program will cover approximately 2,025 individuals, which represents 7.9% of the target population.

identification, education and human resources development, family dynamics and health promotion.³⁷ The activities that will be executed under this component include the financing of daycare services, school meals, school textbooks and uniforms, remedial learning courses, and selected health services. The component will also finance the redesign of a targeting tool that will be used to better select households.³⁸ This tool will combine a Proxy Means Test (PMT) with a revised version of the existing scorecard to eliminate criteria that may be open to subjective interpretation.³⁹ The PMT developed will be used as part of the MIS to improve the targeting of other MSCD programs targeted to the poor. Social workers (financed with this component) will be hired to serve as HF, who will assess, orient and accompany the household for the duration of the program.⁴⁰ In addition to implementing the social care side of the program, the component will ensure the coordination of the relevant institutions to prioritize IBP beneficiaries in the provision of public services, when these are generally available (health and education services). This coordination will be achieved through the Program Steering Committee (PSC) and the Program Operations Manual (POM). In order to ensure the provision of eligible services, wherever public supply of such services is not or cannot be guaranteed, this component will fund the provision of such services by private providers. To address demand issues, HF will provide counselling on the importance of early childhood development, preventive health check-ups, and labor market programs. Also, providing school meals and textbooks will serve as an incentive for school participation. Finally, stipends will be provided for the participation in remedial learning programs.⁴¹

- 1.26 The component will also finance a marketing and communication campaign to inform potential beneficiaries and stakeholders of the advantages of the program, and results achieved as they become available.
- 1.27 **Component 2. Strengthening of ALMP (US\$3.7 millions).** This component aims to increase employability and employment of the unemployed, including adults participating in IBP, retrenched public servants, and youth. Therefore, the role of NEB will be enhanced based on a strengthening plan already prepared by MLSD.⁴²

³⁷ The Program will not finance the expansion of the housing and income/social benefits pillar. The employment pillar will be addressed through the expansion of AMLP under Component 2.

³⁸ One aspect to be considered will be the gender of household head. According to CALC (2010) more than 60% of extreme poor households are female headed. Therefore, the program will monitor the number of IBP households that are female-headed.

³⁹ When available household surveys have small samples and target populations are relatively small as it is the case for extreme poverty in Barbados, calibrating a PMT using traditional statistical methods leads to very imprecise indexes. The pilot used a scoring method of variables that were perceived by social workers to be good predictors of poverty. Similar approaches are being used in countries that present the same characteristics such as The Bahamas. See [Targeting Criteria ISEE Bridge Program](#) for a description of the existing methodology.

⁴⁰ HF will have a university degree in social work and will undergo one-week training for IBP implementation. HF will be hired for the duration of the program as needed to cover beneficiary households as shown in the Results Matrix (Annex II). The IBP has duration of two years from the point of view of beneficiary households. Once a household is selected into the program, and counting from the orientation day, it will remain in the program for two years (or less, if it fulfills all minimum conditions prior to that date).

⁴¹ The amounts benefiting each household are limited by the cost of the specific services and the structure of the families. For example the cost of school books is capped at US\$100 per child per year and daycare is capped at US\$35 per child per week. As changes in the market conditions may affect the reference prices of services we considered it better to include the reference amounts in the operating manual to be approved by the Bank.

⁴² See [Institutional Strengthening of Barbados National Employment Bureau](#).

The plan includes: (i) the professionalization of vocational counselors for better career counseling and referrals to training opportunities and job vacancies, including efforts to promote gender equity; (ii) a comprehensive marketing plan to provide a rebranding of NEB, with enhanced management of stakeholder relationships, and more direct interaction with employers at all levels; and (iii) the development of links to labor market information. These improvements will allow increasing the coverage in terms of job seekers registered at NEB, and in turn the quality in terms of job placement rates. It is expected that NEB will assist 8,000 people during program execution.⁴³

- 1.28 **Technical training (for youth).** The program will finance demand-driven technical training courses for 540 unemployed and vulnerable youth aged 16-30 years old while at the same time promoting gender equity.⁴⁴ Beneficiaries will be selected using the PMT developed as part of Component 1 (choosing a higher cutoff point for eligibility) together with qualitative information to be gathered through interviews by vocational counselors. Counselors will develop a career plan with beneficiaries to ensure their effective job placement. Upon completion of the training course, the program will finance skills standards certification, which will measure the success of the program measured by skills learnt by participants. Priority will be given to training packages developed for the sectors with potential for job creation. Training will be competence-based with full-time dedication during 34 weeks. Participants will receive a stipend to cover transportation and meal expenses.
- 1.29 **Development of training package for an additional strategic sector.** In order to support GOB's efforts to diversify its economy and open investment to new sectors, the program will support the development of a skills needs analysis and a training package for a sector with potential for job creation. This analysis will benefit from the methodological mechanisms developed for other strategic sectors. It will finance the development of relevant training curricula, training materials and teaching methods for better learning outcomes.
- 1.30 **Component 3. Enhancing Institutional Capacity through a Management Information System (MIS) (US\$1.35 million).** The objective of this component is to strengthen public institutions involved in the program in terms of their coordination, monitoring and accountability capacities, through the installation of a Management Information System (MIS). The program aims at setting up an inter-institutional MIS able to centralize data, process information and disseminate the outputs among stakeholders.⁴⁵ MIS will store qualitative and quantitative information for each program implemented by MSCD, MLSD and their related entities, including NA, IBP, NEB services, and training programs. This will fuel the flow of

⁴³ Based on 2013 LFS data, there are 20,159 unemployed workers in Barbados. The program aims to cover 40%.

⁴⁴ Based on 2010 LFS data, there are 8,228 people aged 16-30 who have a secondary diploma and are unemployed. The program would benefit 7% of the targeted population with technical training, but a higher percentage could benefit from vocational counselling at NEB including advice on other training opportunities as well as intermediation services based on available vacancies.

⁴⁵ The Draft Program Operations Manual will include the collaboration between the Ministry of the Civil Service (responsible for information systems of GOB), MSCD, MLSD and related institutions. Once the MIS is designed, the Cabinet of Barbados will establish its structure and the roles and responsibilities of each entity. Each entity will have authority to manage and update the modules pertaining to their entities.

information and data between related institutions and thereby improve monitoring and evidence-based decision making.⁴⁶ At the same time, MIS can become a pilot project for knowledge management and sharing, to inform the monitoring and evaluation of social policies. This component will finance: (i) purchase of hardware and software, based on technical assessments of the IT environment of the country and the computer resources of ministries and related agencies; (ii) design, set up, test and maintenance of the MIS by an experienced provider; and (iii) training for staff.

1.31 **Cost.** The total cost of this operation is US\$10 million.

Table 1: Program Cost

Components / Outputs	IDB (OC)	CHC	Total
Component 1 - Expansion of IBP	2,067,500	2,067,500	4,135,000
1.1. New targeting tool for selection of beneficiaries in use	115,000	115,000	230,000
1.2. Social workers hired and trained as household facilitators	676,500	676,500	1,353,000
1.3. Number of individuals benefited from IBP	629,864	629,864	1,259,728
1.4. ISEE Bridge participants benefited from Remedial Learning	546,136	546,136	1,092,273
1.5. Marketing and Branding Campaign	100,000	100,000	200,000
Component 2 - Strengthening ALMP	1,850,500	1,850,500	3,701,000
2.1. Job seekers counselled through intermediation services	400,000	400,000	800,000
2.2. Beneficiaries from technical training trained and assessed	1,365,900	1,365,900	2,731,800
2.3. Training package (for 1 sector) developed	84,600	84,600	169,200
Component 3 - Enhancing Institutional Capacity through MIS	675,000	675,000	1,350,000
3.1. Staff trained in the use of MIS, project management and M&E	125,000	125,000	250,000
3.2. MIS functioning	550,000	550,000	1,100,000
Administration, Monitoring and Evaluation	182,000	182,000	364,000
Administration	82,000	82,000	164,000
Monitoring and Evaluation	100,000	100,000	200,000
Audits	125,000	125,000	250,000
Contingencies	100,000	100,000	200,000
Total	5,000,000	5,000,000	10,000,000

C. Key Results Indicators

1.32 As indicated in the Results Matrix (Annex II), the main impacts and results of the program will be a 0.7pp reduction of the extreme poverty rate and a 1pp reduction of the unemployment rate. The intermediate results will be an increase in the percentage of: (i) MSCD beneficiaries who are poor; (ii) households benefited from IBP; (iii) children in beneficiary households aged 3-16 enrolled in educational institution; (iv) job seekers who find a job through NEB; and (v) trained beneficiaries that obtain certification.

1.33 An ex ante Cost-Benefit Analysis of the main elements of the program was conducted for Component 1 and Component 2, evidencing its economic

⁴⁶ An important indicator of the current capacity is that learning from the IBP Pilot was limited due to lack of baseline or intermediate data on the achievement of minimum conditions by households.

feasibility.⁴⁷ The net present values (NPV) of Component 1 and Component 2 calculated with a 3% discount rate are positive, with rates of returns of 7.9% and 8.8% respectively.⁴⁸ A sensitivity analysis was conducted using Monte Carlo simulations with varying discount rates, expected results and impacts. In both cases, the NVP remains positive with a 95% confidence.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing Instruments

- 2.1 The program will be financed through an investment loan of up to US\$5 million from the resources of Ordinary Capital (OC) of the Bank, and a loan of up to US\$5 million from the resources of the China Cofinancing Fund for Latin America and the Caribbean (CHC), administered by the Bank. The resources of the program will be devoted to the three components under which the Executing Agency (EA) will execute the program according to the [Pluriannual Execution Plan](#).

Table 2: Projected disbursements in millions of US\$

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB (OC)	0.14	0.98	1.52	1.68	0.68	5.00
CHC	0.14	0.98	1.52	1.68	0.68	5.00
Total	0.28	1.97	3.03	3.36	1.36	10.00
Percentage	3%	20%	30%	34%	14%	100%

Note: Year 1 starts at contract signing.

- 2.2 Pursuant to Document AB-2990, the disbursement from both sources of financing for this program, OC resources of the Bank and CHC resources will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All of these periods will be counted from the time the loan operation is approved by the Board of Executive Directors. These limitations may be rendered inapplicable to the extent that the requirements set forth in the Bank's policy regarding said limitations have been fulfilled, provided that the Borrower has been notified of the same in writing. Program resources are to be fully disbursed within 60 months from the effective date of the loan agreement.

B. Environmental and Social Safeguard Risks

- 2.3 Due to its nature, this program 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 "C".

⁴⁷ See [Economic Analysis \(cost-benefit\)](#).

⁴⁸ Although the conventional discount rate used in IDB projects is 12%, the literature for social projects uses lower ranges, varying between 3% and 7%. For more details see [Economic Analysis \(cost-benefit\)](#), pages 9-10.

C. Fiduciary Risk

- 2.4 The fiduciary evaluation was done mainly of the MSCD, using the Institutional Capacity Assessment System (ICAS) methodology, since the PEU for the program has not yet been established (see [Annex III](#)). The overall fiduciary risk of the project was deemed to be low. Notwithstanding this, there were three risks deemed medium risks which could have an impact on the program. These risks however do not affect the overall risk of the program. These risks are: (i) limited availability of reliable and timely financial information for decision making; (ii) weak financial management capacity of the PEU; and (iii) lack of awareness of IDB procurement, disbursements and financial reporting procedures. Mitigation measures include: (i) the Ministry of Finance and Economic Affairs (MFE) should be requested to customize the country Public Financial Information Management (PFM) system, Smart Stream, to facilitate project reporting so that it meets IDB minimum requirements for program financial reporting. If the customization of Smart Stream is not possible, an off the shelf accounting package should be procured and used to supplement the financial reporting aspect of Smart Stream; (ii) hire a consultant and/or assign MSCD staff to the program with background in finance; and (iii) hire an accountant with bank experience to support PEU.

D. Other Key Issues and Risks

- 2.5 In addition to fiduciary risks, the risk assessment identified six medium risks: (i) potential resistance to implement a new targeting tool to select beneficiaries; (ii) lack of or inadequate administrative data which negatively affects an adequate monitoring and assessment; (iii) low levels of coordination among government entities participating in the operation; (iv) possible low level of engagement, commitment, or slower pace of project implementation associated with a possible change in the administration in the third year of execution; (v) human resources available to be assigned to the PEU may not have all the necessary competencies to execute efficiently the program; and (vi) a reputation risk related to possible delays in transfers from the PEU to training institutions and IBP providers as well as in payments of stipends to beneficiaries. In addition to the special conditions prior to first disbursement set forth in paragraph 3.4, the following actions will be undertaken for each risk respectively: (i) training for GOB officials and HF (e.g. workshop on the new targeting tool) as well as an outreach campaign to engage beneficiaries; (ii) hiring of a Monitoring and Evaluation (M&E) advisor to support the PEU as well as M&E training for public officials in charge; (iii) a communication campaign to inform and engage relevant stakeholders; (iv) a high level event to present the results achieved by the program and engage potential new government authorities; (v) training activities on project management for PEU members as required; and (vi) use of MIS to enhance program execution and revisions to operation manual to incorporate lessons learned.
- 2.6 **Sustainability.** 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 targeting tool and the MIS, which makes it feasible for GOB to continue investment in the IBP and labor programs. The new targeting tool will be used for programs funded by the loan; its performance will be measured through the mid-term evaluation and based on

this, GOB will consider its use for other public programs. Further, the execution of the institutional strengthening which forms an integral part of each component activity provides the organizational transformation within the MSCD and MLSD required to build and sustain the continued implementation of these programs. The Bank will continue to engage with the country in this area.

- 2.7 **Gender.** The program will promote gender equality in all its interventions. HF working with IBP families will identify gender challenges in each household and propose solutions; special attention will be given to female-headed households, and women will be encouraged to engage in remedial training and vocational counseling for job insertion, Vocational counselors' training will include gender mainstreaming to ensure women are encouraged to be open to non-traditional occupations opportunities.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of Implementation Arrangements

- 3.1 **Borrower and Executing Agency (EA).** The Borrower is GOB and the EA will be the MSCD, which will be responsible for managing all program funds. The program execution structure is composed of: the EA, a Program Steering Committee (PSC) and a Program Executing Unit (PEU) which will be established within the MSCD and will execute the program.⁴⁹
- 3.2 **Execution and Administration.** The PSC, chaired by MSCD, and comprising representatives from MLSD, MFE, MH and METI, as well as representatives from statutory organizations, will be formed to provide strategic direction, and technical oversight of the program and the PEU.⁵⁰
- 3.3 The PEU will have four strategic positions: one Program Coordinator from MSCD, one Project Officer from MLSD,⁵¹ one procurement specialist and one accountant.⁵² The Program Coordinator will enable smooth day-to-day operations of the program. The POM further describes the recommended PEU composition and their responsibilities. The PEU will be responsible for the administration of loan financing and procurement processes. Specific PEU duties include: (i) preparation of semi-annual progress reports; (ii) preparation, and implementation of the Annual Operating Plans (AOP); (iii) preparation of budgets, and disbursements; (iv) preparation of the Procurement Plan; (v) financial administration of the program according to accepted accounting principles and presenting audited financial statements; (vi) ensuring the quality and efficacy of procurement processes and their

⁴⁹ See Figure 1 in [Program Operations Manual](#). The PEU will have a Project Officer for Component 2 who will be responsible of the technical execution of the component, but all payments will be channeled through the PEU for payment by the Executing Agency.

⁵⁰ Optional electronic link 8 ([Draft TOR for Program Steering Committee](#)) provides the Terms of Reference of the PSC. The TORs are based on the successful functioning of the PSC for BA-L1016.

⁵¹ Component 2 will be executed by the EA through the PEU, which includes a project officer with technical knowledge of labor and training topics. In addition, the Permanent secretary of labor will be a member of the PSC.

⁵² Optional electronic link 9 ([Draft TOR for Program Executing Unit](#)) provides the draft Terms of Reference for the four key positions. The PEU full composition and the overall structure for execution can be found in the POM ([Program Operations Manual \(draft\)](#)).

compliance with both the policies of the Bank and that of the GOB; (vii) ensuring the consistent alignment of expected project results with day-to-day program implementation as well as continuous data collection to enable the measurement of the indicators included in the Results Matrix; and (viii) being program liaison with the Bank.

- 3.4 **Special contractual conditions prior to first disbursement: (i) approval of the Annual Operational Plan by the Executing Agency (EA); (ii) approval of the Program Steering Committee by Cabinet and of its terms of reference, which set forth the roles of each of its members and their commitments towards the prioritization of ISEE Bridge program (IBP) beneficiaries in the provision of public services; (iii) that the following posts are filled, in accordance with Terms of Reference previously agreed upon with the Bank: Program Coordinator, Procurement Specialist, Accountant, and Project Officer; and (iv) approval of the Program Operations Manual by the Program Steering Committee.**
- 3.5 **Procurement.** Procurement of works, goods, and services as well as the contracting of consultants will be governed by Bank Policies (GN-2349-9 and GN-2350-9 respectively). Procurement thresholds and other arrangements are listed in [Annex III](#).
- 3.6 **Single Source Selection (SSS) is proposed for the** implementation of the Remedial Learning courses and services for IBP beneficiaries for education expenses (id, school meals, books, daycare), family services, health services in Component 1 and technical training courses in Component 2. The amounts indicated in the Procurement Plan reflect multiple procurement processes that will occur during the five-year execution period. The providers of remedial learning will be SJPP and BVTB since they are the only public providers of this type of training. The estimated cost per course is US\$50,823 (including cost of training and stipends to beneficiaries). The providers of services for IBP beneficiaries will be the school meals program (primary and secondary), daycare centers registered at the Child Care Board (public or private), the MH for health expenses or private providers. The providers of technical training will be SJPP, BVTB and BCC since they are the only public providers of this type of training. The estimated cost per course is US\$99,326 (including cost of training and stipends to beneficiaries). This is in accordance with Bank policy (GN-2350-9), paragraphs 3.10(d) and 3.11, which allow for SSS when only one firm is qualified or has experience of exceptional worth for the assignment or when continuity for downstream work is essential.
- 3.7 **Audits.** For each fiscal year during program execution, the PEU will produce semi-annual financial reports for the program, annual Audited Financial Statements and one final Audited Financial Statement at the end of the program. The Financial Statements will be audited either by the Auditor General of Barbados or by a firm of independent public accountants acceptable to the Bank.

B. Summary of Arrangements for Monitoring Results

- 3.8 **Monitoring.** The EA, through the PEU, will present to the Bank semi-annual progress reports 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 EA will submit to the Bank quarterly reports on minimum conditions of IBP households and status of stipend payments to beneficiaries of remedial learning and technical training.⁵³ The output indicators for beneficiaries of remedial learning (Component 1) and technical training (Component 2) will be disaggregated by gender.

- 3.9 **Evaluation.** A mid-term evaluation will be conducted when the program reaches 50% of funds committed and a final evaluation will be conducted at 90% of funds disbursement, both by independent external consultants. The use of the new MIS will allow for a reflective (before-and-after) evaluation of Component 1 and Component 2, as detailed in the [Monitoring and Evaluation Plan](#).

C. Significant Design Activities Post Approval

- 3.10 The technical cooperation BA-T1038 will finance products that will be used at the beginning of project execution, such as the targeting tool for beneficiaries of social and labor programs. It will also finance training activities for GOB, a consultant to support the GOB in fulfilling conditions prior and the completion of the POM.

⁵³ The quarterly reports on conditions of IBP households and status of stipend payments only need to include the spreadsheets with the relevant information; no further analysis is needed in these reports.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Aligned		
Lending Program	-Lending to small and vulnerable countries -Lending for poverty reduction and equity enhancement		
Regional Development Goals	-Extreme poverty rate		
Bank Output Contribution (as defined in Results Framework of IDB-9)	-Individuals receiving targeted anti-poverty programs -Individuals benefited from programs to promote higher labor market productivity		
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix			
Country Program Results Matrix	GN-2805	The intervention is included in the 2015 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)	GN-2812	Social protection and labor markets are included as dialogue areas of the Country Strategy.	
II. Development Outcomes - Evaluability			
	Evaluable	Weight	Maximum Score
	8.3		10
3. Evidence-based Assessment & Solution	9.3	33.33%	10
3.1 Program Diagnosis	3.0		
3.2 Proposed Interventions or Solutions	3.6		
3.3 Results Matrix Quality	2.7		
4. Ex ante Economic Analysis	10.0	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	1.5		
4.5 Sensitivity Analysis	1.5		
5. Monitoring and Evaluation	5.7	33.33%	10
5.1 Monitoring Mechanisms	2.5		
5.2 Evaluation Plan	3.2		
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Medium		
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	C		
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury.	
Non-Fiduciary			
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
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	Yes	The team organized a 3-day workshop on project management using the PM4R methodology that covered: (i) motivation & conceptual framework of PM4R; (ii) results matrix; (iii) work breakdown structure (WBS); (iv) Responsibility Assignment Matrix (RAM); (v) project schedule; and (vi) costs. In addition, a consultant was hired to assist the GOB in the preparation of inputs for project design including TORs of Program Executing Unit (PEU) and Program Operation Manual. The TC BA-T1038 will finance training activities and support activities to ensure that the executing agency and the PEU are ready for program implementation. Finally, fiduciary training will be provided by IDB staff once the key posts of PEU are filled.	
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			

"Strengthening human and social development in Barbados" (BA-L1032) is a USD\$10MM operation (equally financed by IDB ordinary capital and the China cofinancing fund) that is aimed at reducing extreme poverty and unemployment in Barbados through an integral human development approach. Such approach capitalizes on complementarities between improvements in the social safety net (SSN) and active labor market policies (ALMP) through: (i) the development of capacities and potentialities of poor households via investments in human capital of their infants (improving nutrition, health and education); and (ii) the creation of conditions to generate employment and enhance insertion opportunities of adult members of those households into productive activities so that they can have access to better incomes.

Consistent with this logic, the program is structured in three components (i) the expansion and consolidation of the Identification, Stabilization, Enablement and Empower (ISEE) Bridge Program or IBP (an advanced assistance program for the poor originally from Chile and already piloted in Barbados); (ii) the improvement of employment services and demand-driven technical training; and (iii) the creation of an efficient Management Information System (MIS) that connects programs executed by the Ministry of Social Care, Constituency Empowerment, and Community Development (MSCD), the Ministry of Labour, Social Security and Human Resource Development (MLSD) and related institutions.

While the design of the program is internally sound and keeps consistency between the previously referred activities/outputs and the intended results (reduce poverty and unemployment), the proposed indicators to measure development effectiveness are not as strong as it would have been desired, especially after taking into consideration that one of the contributions of the intervention is to improve the Information System to monitor the IBP and the proposed ALMPs. These shortcomings are also reflected in the decision of not conducting impact evaluations of the program and opting for a before and after comparison.

In turn, the economic analysis of the program is technically sound (assumptions are clearly spelled out and supported by evidence of similar programs and circumstances). Positive net present values were obtained, even after changing the values of the main parameters determining the costs and benefits (intensity of participation of beneficiaries and income elasticities for specific sub-interventions of the program such as immunization of children, better nutrition of children, duration of benefits for children and for adults, etc.). The main benefits come from the productivity gains of beneficiaries during their active labor life (for both, children benefited by the IBP and adults benefited from ALMPs) translated into improved earnings. Direct costs are those related to the necessary investment to carry out the program and indirect costs are those related to the opportunity cost (labor earnings) of participant adults.

**RESULTS FRAMEWORK
MATRIX OF INDICATORS**

Project Objective	Contribute to the reduction of extreme poverty and unemployment in Barbados.
Impacts	The main impacts of the program will be a reduction of the extreme poverty rate of 0.7pp and a reduction of the unemployment rate of 1pp.

Outcome Indicators	Base Level	Target Level	Comments
Reduction of the extreme poverty rate.	9.1%	8.4%	Baseline and target calculated based on CALC 2010 and coverage of the program. Due to data limitations, this outcome will be measured at the end of the program.
Reduction of the unemployment rate.	11.6%	10.6%	Baseline and target based on LFS 2013 and coverage of the program. This target will be monitored yearly once the LFS becomes available.
Intermediate Outcome Indicators	Base Level	Target Level	Comments
Percentage of beneficiaries of transfers from MSCD who are poor.	To be determined with CALC 2016	Increase of 16pp	The expected increment in the proportion of beneficiaries who are poor was estimated based on the gains between observed value for the CALC 2010 as a baseline and a simple Proxy Means Test calculated on the same survey. The baseline value, however, will need to be updated on the basis of a more recent survey (CALC 2016) and a revised questionnaire to improve precision of the indicator. The target is Calculated on the basis of Chile Solidario impacts.
Number of households benefited from IBP.	0	250	Benefited means that they completed the two-year program. Baseline corresponds to 2015. This target will be monitored yearly.
Percentage of children between 3 and 16 years old enrolled in an educational institution.	71%	81%	The baseline and the expected increment correspond to the level of accomplishment of the same intervention of the Colombian program Red Unidos. The use of this program's parameters seems adequate since aggregate indicators show a high resemblance of socio-economic conditions of the extreme poor population in Colombia and Barbados and both programs share the same design. This target will be monitored yearly.

Percentage of job seekers who find a job through NEB.	38%	40%	The baseline corresponds to 2013 data from NEB: 977 people registered, 84 placed locally and 296 placed overseas. The target takes into consideration the early stages of development of NEB and it is based on evidence from the Public Employment Services (PES) of Mexico, one of the most developed PES of LAC. This target will be monitored yearly.
Percentage of trained beneficiaries that obtain certification.	60%	75%	The baseline corresponds to estimates by the TVET Council. And the target was estimated based on the program design (such as training for trainers, curricula relevant to current market demands, which will contribute to better results). This target will be monitored yearly.

Output Indicators								
Component 1	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Target	
Number of individuals benefiting from IBP	0		520	720	760	0	2,000	The target is at the household level. The program will benefit 250 households. According to the IBP Pilot, beneficiary households are large, averaging 8.1 members. We use the round number 8 to estimate the number of new individuals benefited by the program each year. The actual number of individuals benefiting from the program will depend on the actual size of beneficiary households. Household will remain in the program for up to two years. To avoid double counting households (and individuals) will be counted at the beginning of the program when an action plan is agreed between household facilitators and families. The program will also monitor the percentage of households which are female-headed, since evidence suggests that the percentage of female-headed households in extreme poverty is over 60% (CALC, 2010).
New targeting tool for selection of beneficiaries in use.	0	1	0	0	0	0	1	
Number of social workers hired to serve as household facilitators of IBP.	0	0	13	15	18	13	59	On average, household facilitators can assist up to ten households. The number of facilitators is proportional to the number of beneficiary household in any given year.
Number of IBP participants benefiting from remedial learning	0	0	24	60	166	0	250	It will be disaggregated by gender.

Marketing and communication campaign for the MSCD implemented.	0	0	1	0	0	0	1	
Component 2	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Target	
Number of job seekers counselled through vocational and intermediation services.	977	1,000	1,500	1,500	2,000	2,000	8,000	It will be disaggregated by gender. Baseline corresponds to number of job seekers counselled in FY 2013/14.
Number of beneficiaries from technical training, trained and assessed	0	0	160	180	200	0	540	It will be disaggregated by gender.
Training package for one strategic sector developed.	0	0	0	0	1	0	1	
Component 3	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Target	
MIS functioning	0	0	0	1	0	0	1	
Staff trained in the use of the MIS, M&E and project management.	0	50	50	100	0	0	200	
	Base	Year 1	Year 2	Year 3	Year 4	Year 5	Target	
Individuals benefiting from targeted anti-poverty programs	0		520	720	760	0	2,000	This corresponds to the output indicator “Number of individuals benefiting from IBP”(component 1)
Individuals benefiting from programs to promote higher labor market productivity	0	0	184	240	366	0	790	This is the sum of output indicators “Number of IBP participants benefiting from remedial learning”(component 1) and “Number of beneficiaries from technical training trained and assessed” (component 2)

Notes:

1. The Matrix of Indicators will show the base level values, expected year values, and target values of each indicator.
2. Outputs and outcomes are grouped together to facilitate monitoring of component performance.
3. The right hand column can be used for description of output / outcomes and choice of indicator and other explanatory notes
4. In the Results annex/section, this Matrix will be complemented by a detailed account of the arrangements (including institutional responsibilities, operating regulations, terms of reference, hiring of consultants, budgeting) showing how the data will be collected, verified, analyzed and reported to the Bank. The data sources and rationale behind the base line and target values will also be described.

FIDUCIARY ARRANGEMENTS

Country:	Barbados
Project:	BA-L1032 – Strengthening Human and Social Development in Barbados
Executing Agency:	Ministry of Social Care, Constituency Empowerment, and Community Development (MSCD)
Prepared by:	Denise Salabie – Fiduciary Financial Management Lead Specialist and Roy Parahoo – Fiduciary Procurement Lead Specialist

I. EXECUTIVE SUMMARY

- 1.1 The fiduciary management evaluation of the program was performed during April 2015 using the Institutional Capacity Assessment System (ICAS) methodology, as well as through a series of interviews with the management team of the MSCD. The evaluation indicates that the program has a low fiduciary risk, and as such, it is believed that the MSCD, i) based on the current structures and fiduciary systems in place, and ii) once it has the Program Executing Unit (PEU) established, will have the capacity to execute the program.
- 1.2 During the third quarter of 2013, an assessment of the public financial management system for use in projects, using the Inter-American Development Bank (IDB)'s Tool for Determining the Level of Development and Use of Public Financial Management (PFM) Systems, was conducted. The assessment indicated a medium level of development of the public financial management subsystems of budgeting, treasury, accounting and reporting and internal audit. The main limitations relate to the limited capacity of the budget classification system to facilitate accounting and reporting on projects in a manner that is adequate for: (a) monitoring project execution and expenditures; and (b) the partial implementation of the internal audit function in the Central Government.
- 1.3 Notwithstanding the limitations noted in the public financial management system, it is recommended that the program uses:
 - (i) the country Public Financial Management (PFM) system, Smart Stream, to facilitate the financial administration of the program, supplemented by an off the shelf accounting software for financial reporting, should Smart Stream's program reporting capability not be implemented in time for the start of program execution.
 - (ii) the Barbados Audit Office for external audit, depending on availability and staffing capacity/complement. If unavailable, a firm of independent public accountants acceptable to the Bank should be contracted.
- 1.4 The program will be funded with IDB investment loan financing of US\$5 million and co-financed with a loan of US\$5 million from the China Cofinancing Fund for Latin America and the Caribbean (CHC). The co-financing from CHC will be managed by the IDB and as such will be guided by the same fiduciary arrangements as the IDB financing.

II. EXECUTING AGENCY'S FIDUCIARY CONTEXT

- 2.1 The MSCD is guided by the Financial Management and Audit Act (FMAA), for financial management and procurement, and uses the country's integrated financial management system, Smart Stream, which applies computerized and decentralized

procedures. The system integrates budget, treasury and accounting functions and allows for a centralized payment and funds control system.

- 2.2 The fiduciary management model used by Central Government agencies, including MSCD, is decentralized for operational procedures, but centralized for approvals and processing of procurement and personnel-related issues based on the amount and/or type of the expenditure.
- 2.3 The government procedures and Smart Stream system adequately facilitates project financial management in the areas of treasury, accounting and internal control functions. Whilst the Smart Stream system is able to report at the aggregate level on projects as a whole, it is unable to report on projects based on source of funding and project component. Notwithstanding this deficiency, the Government is undertaking an exercise to enhance the financial reporting functions within Smart Stream so that it is better able to facilitate project execution, monitoring and reporting.

III. FIDUCIARY RISK ASSESSMENT AND MITIGATING ACTIONS

- 3.1 The overall fiduciary risk of the program, which was evaluated using the ICAS methodology, is deemed to be low. The fiduciary evaluation was done mainly of the MSCD since the PEU for the program has not yet been established. Notwithstanding this, there were a few risks as outlined below that were deemed medium risk and which could have an impact on the program. These risks however do not affect the overall risk of the program.

Risk	Risk Rating	Mitigation Measures
1. Limited availability of reliable and timely financial information for decision making.	Medium	The Ministry of Finance and Economic Affairs should be requested to customize the country Public Financial Information Management (PFM) system, Smart Stream, to facilitate program reporting so that it meets IDB minimum requirements for program financial reporting. If the customization of Smart Stream is not possible, an off the shelf accounting package should be procured and used to supplement the financial reporting aspect of Smart Stream. Responsibility for implementation: PEU/Borrower Timeline for implementation: Prior to 1 st disbursement of the loan
2. Weak financial management capacity of the PEU	Medium	The Procurement and Accounting personnel should be recruited and assigned to the program in a timely manner. Personnel should be suitably skilled and qualified and preferably with experience in managing donor funded projects. Responsibility for implementation: PEU/Borrower Timeline for implementation: Prior to 1 st disbursement of the loan
3. Lack of awareness of IDB procurement, disbursements and financial reporting procedures.	Medium	Create capacity within the PEU through in house training on IDB's procurement, financial management procedures and requirements. Responsibility for implementation: IDB Timeline for implementation: During program design and throughout program execution

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

- 4.1 To facilitate the execution of the operation, the agreements and requirements outlined below should be incorporated into the special conditions:
 - a. **Special Contractual Clauses prior to the first disbursement:** (i) approval of the Annual Operational Plan by the Executing Agency; (ii) approval of the Program

Steering Committee by Cabinet and of its terms of reference, which set forth the roles of each of its members and their commitments towards the prioritization of IBP beneficiaries in the provision of public services; (iii) that the following posts are filled, in accordance with Terms of Reference previously agreed upon with the Bank: Program Coordinator, Procurement Specialist, Accountant, and Project Officer; and(iv) approval of the Program Operations Manual by the Program Steering Committee.

- b. Rate of Exchange Agreed with the Executing Agency (EA):** For purposes of justification of expenses to the Bank (including reimbursements), if the program expenses have been incurred in local currency, the equivalent amount to be reported in the program currency, shall be determined using the effective exchange rate of the payment date, without regard to the source of the financing used.
- c. Audited Financial Statements and Reports:** Annual Audited Financial Statements (AFS) of the program are to be submitted to the Bank within 120 days after the close of each fiscal period, in addition to Final Audited Financial Statements, which are due for submission to the Bank within 120 days of the close (last disbursement date) of the Program. The AFS should report on the overall program, in the expressed currency of the Loan. The Audited Financial Statements of the Program should include, in addition to the basic financial statements and internal control report, a report on the administration of the ISEE Bridge Program (IBP) and a Report on the Ex post review of disbursements and procurements.
- d. Disbursement Restrictions:** Pursuant to Document AB-2990, the disbursement by the Bank of the resources of the CHC will be subject to the following maximum limits: (i) up to 15% during the first 12 months; (ii) up to 30% during the first 24 months; and (iii) up to 50% during the first 36 months. All these periods will be counted from the time the loan operation is approved by the Board of Executive Directors. These limitations may be rendered inapplicable to the extent that the requirements set forth in the Bank's policy regarding said limitations have been fulfilled, provided that the Borrower has been notified of the same in writing. Program resources are to be fully disbursed within 60 months from the effective date of the loan agreement.
- e. Direct Contracting:** there will be direct contracting as detailed in par. 5.2 below.

V. FIDUCIARY ARRANGEMENTS FOR PROCUREMENT EXECUTION

- 5.1 Procurement for the proposed program 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 program

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 = 2 BA dollars.

and subject to International Competitive Bidding will be executed 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 program sector specialist.

- b. Selection and Contracting of Consultants:** The consulting services contracts generated under this program will be selected and contracted using the Standard Request for Proposals (SRFPs) 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 program sector specialist.
- c. 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.
- d. Training:** Training will be provided to MSCD & Ministry of Labour, Social Security and Human Resource Development (MLSD) staff in charge of the financial management and procurement execution prior to starting activities and based on the Annual Operational Plan.
- e. Recurrent Expenses:** The program contains coverage of recurrent expenses that are required to start and maintain the program during execution and will be financed by the program within the annual budget approved by the Bank and Barbados Financial Parameters: (a) among those identified there is funding for consumables, operating supplies and sundries to assist the PEU in program execution, program management and supervision. These costs will be described in further detail in the procurement plan.
- f. Retroactive Financing:** None.
- g. Thresholds (US\$ thousands):**

Works			Goods ²			Consulting Services	
International Competitive Bidding	National Competitive Bidding	Shopping	International Competitive Bidding	National Competitive Bidding	Shopping	Inter-national Advertising	100% National Short List
≥3,000	150 - 3,000	≤150	≥150	50 - 150	≤50	>200	<200

² Including different services other than consulting.

h. Main Procurement Activities:

Activity	Procurement Method	Estimated Date	Estimated Amount 000'US\$
Goods			
Software for Management Information System (MIS)	ICB	1Q2017	500
Hardware for MIS	NCB	3Q2016	100
Activity	Procurement Method	Estimated Date	Estimated Amount 000'US\$
Consulting Firms			
Marketing & Branding	QCBS	4Q2016	700
MIS Diagnostics	QCBS	3Q2016	425
Individual Consultants			
National Employment Bureau (NEB) Intermediation Services	QCNI	3Q2016	400
Household Facilitators	QCNI	1Q2017	1,290

5.2 Single Source Selection (SSS) is proposed for the implementation of two outputs of Component 1 and one output of Component 2, following Bank policies (GN-2350-9). The amounts indicated in the Procurement Plan reflect multiple procurement processes that will occur during the five-year execution period.

Component / Product	Amount	Justification
Component 1		
Remedial Learning: training services delivery to direct beneficiaries	1,067,272	These are training courses only provided by the Samuel Jackman Prescod Polytechnic (SJPP) or the Barbados Vocational Training Board (BVTB). The estimated cost per course is US\$50,823 and includes the actual cost of the course plus the stipends that the training institution will give to beneficiaries based on attendance.
Payments for education expenses (id, school meals, books, daycare), family services, health services	1,228,478	The initial assessment to each beneficiary household will determine the specific needs of that family. Eligible expenses include payment for personal identification, daycare (public or private), school meals and books for primary or secondary school students, health checkups (vaccinations, pregnancy checkups, etc.), and family counselling.
Component 2		
Technical Training: training services delivery to direct beneficiaries	2,681,800	These are training courses only provided by the SJPP, BVTB and Barbados Community College (BCC). The estimated cost per course is US\$99,326 and includes the actual cost of the course plus the stipends that the training institution will give to beneficiaries based on attendance.

5.3 **Procurement Supervision.** The supervision method for procurement execution will be established ex ante until the PEU Procurement Expert has gained experience observing and executing Bank policies, procedures, and utilizing the Bank's standard bidding documents. The ex post modality will be recommended by the Procurement Specialist to the team leader in accordance with the outcomes of supervision visits that will be performed every 12 months and as indicated in the Program Supervision plan. When ex post review is recommended, the supervision visits will be performed jointly with ex ante visits.

Threshold for ex post review

Works	Goods	Consulting Services
≤TBD	≤TBD	≤TBD
<p style="font-size: small;">Note: the established threshold amount 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.</p>		

VI. FIDUCIARY ARRANGEMENTS FOR FINANCIAL MANAGEMENT

- 6.1 **Programming and Budget.** Each year, the Ministry of Finance publishes a Budget Circular requesting the submission of estimates of income and expenditure from ministries and other agencies for inclusion in the National Budget for the following fiscal year, April to March.
- 6.2 The PEU will prepare annual estimates in the required format for the review and approval by the Permanent Secretary of the MSCD, which will be included in the Ministry's overall budget estimates. The estimates will consider the total cost of financing required for execution of the program. The budget (Appropriation Bill) is presented to Parliament before the close of the fiscal year. Once the budget is approved, amendments are made through the submission of Supplementary Appropriation Bills by the Minister of Finance.
- 6.3 It is anticipated that the Borrower will commit to allocate, for each fiscal year of program execution, adequate fiscal space to guarantee the unfettered execution of the program.
- 6.4 **Accounting and Information Systems.** Program accounting will be performed using the Government's financial management system – Smart Stream, in accordance with the Financial Management and Audit Act, IDB financial management requirements and the International Public Sector Accounting Standards, when applicable. It is expected that the financial management system of the program will facilitate the recording and classification of all financial transactions, and provide information related to: planned versus actual financial execution of the program. Should the Smart Stream System not have the capacity to report in accordance with the Bank's requirements, it will be supplemented with another financial reporting software (satisfactory to the Bank).
- 6.5 The MSCD, via a PEU to be established, will have responsibility for financial management of the loan financing (IDB and CHC). Each source of funding will be accounted and maintained separately in the program currency, US\$.
- 6.6 **Disbursements and Cash Flow.** Treasury authorized bank accounts with the Central Bank of Barbados will be used for the management of loan resources. Two separate accounts should be established to manage and maintain the loan resources; one account for the IDB financing, and the other for the CHC financing.
- 6.7 The Bank will disburse the program resources according to the true liquidity needs of the program, as evidenced by the current and anticipated commitments and obligations of the program. The following disbursement methodologies will be used for the program:
- Advance of Funds (to facilitate local currency payments).
 - Direct Payment to Supplier (for large foreign currency payments).
 - Reimbursement of Payments Made (will be used on a smaller scale).

- 6.8 Advance of funds, when used, will be based on the liquidity needs of the program for a period not exceeding 6 months. Subsequent advances may be disbursed once 80% of the total accumulated balance pending justification has been submitted and accepted by the Bank.
- 6.9 Disbursements will be processed using the ex post methodology.
- 6.10 It is expected that the Bank's eDisbursements system, which will facilitate the electronic submission of disbursement requests to the Bank, will be used for the program. Final determination of its use will be made based on the readiness of the PEU and a cost-benefit analysis to be conducted.
- 6.11 **Internal Control and Internal Audit.** The MSCD will assume the responsibility to design and implement a sound system of internal controls for the program.
- 6.12 **External Control and Reports.** The EA will be required to submit Audited Financial Statements. See paragraph 4.1 (c) for details. The Financial Statements will be audited either by the Barbados Audit Office or by a firm of independent public accountants acceptable to the Bank. The firm for the auditing of the Programme, if the Auditor General is not used (due to availability or staff capacity/complement) will be selected according to the Bank's procurement procedures for audit (Document AF-200).
- 6.13 **Financial Supervision Plan.** The initial Financial Supervision Plan of the program will focus on: 1) activities related to the implementation and follow-up of arrangements and systems being implemented for the fiduciary management of the program; 2 follow-up on the implementation status of risk mitigating measures; and 3) capacity building of PEU personnel in the Bank's procedures and requirements.
- 6.14 **Execution Mechanism.** The program execution structure is composed of the EA, a Program Steering Committee (PSC) and a PEU which will be established within the MSCD and will execute the program.³ The PSC, chaired by MSCD, and comprising representatives from MLSD, MFE, MH, METI as well as representatives from statutory organizations, will be formed to provide strategic direction, and technical oversight of the program and the PEU.⁴
- 6.15 The PEU will have four strategic positions: one Program Coordinator from MSCD, one Project Officer from MLSD⁵, one procurement specialist and one accountant.⁶ The Program Coordinator will enable smooth day-to-day operations of the program. The POM further describes the recommended PEU composition and their responsibilities. The PEU will be responsible for the administration of loan financing and procurement processes. Specific PEU duties include: (i) preparation of semi-annual progress reports; (ii) preparation, and implementation of the Annual Operating Plans (AOP); (iii) preparation of budgets, and disbursements; (iv) preparation of the Procurement

³ See Figure 1 in [Program Operations Manual](#).

⁴ Optional electronic link 8 ([Draft TOR for Program Steering Committee](#)) provides the Terms of Reference of the PSC. The TORs are based on the successful functioning of the PSC for BA-L1016.

⁵ Component 2 will be executed by the EA through the PEU, which includes a project officer with technical knowledge of labor and training topics. In addition, the Permanent secretary of labor will be a member of the PSC.

⁶ Optional electronic link 9 ([Draft TOR for Program Executing Unit](#)) provides the draft Terms of Reference for the four key positions. The PEU full composition and the overall structure for execution can be found in the POM ([Program Operations Manual \(draft\)](#)).

Plan; (v) financial administration of the program according to accepted accounting principles and presenting audited financial statements; (vi) ensuring the quality and efficacy of procurement processes and their compliance with both the policies of the Bank and that of the GOB; (vii) ensuring the consistent alignment of expected program results with day-to-day program implementation as well as continuous data collection to enable the measurement of the indicators included in the Results Matrix; and (viii) being program liaison with the Bank.

STRENGTHENING HUMAN AND SOCIAL DEVELOPMENT IN BARBADOS

BA-L1032

CERTIFICATION

The Grants and Co-Financing Management Unit (ORP/GCM) certifies receipt of the non-objection from Ying Zhang, State Administration of Foreign Exchange (SAFE), dated May 12, 2015 for project “Strengthening Human and Social Development in Barbados” for the amount of up to **US\$5,000,000** chargeable against the China Co-Financing Fund for Latin America and the Caribbean (CHC).

ORIGINAL SIGNED

06/12/2015

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

Date

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/15

Barbados. Loan ___/OC-BA to the Government of Barbados
Strengthening Human and Social Development in Barbados

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Government of Barbados, as Borrower, for the purpose of granting it financing to cooperate in the execution of the strengthening human and social development in Barbados program. Such financing will be for the amount of up to US\$5,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____2015)

BA-L1032
LEG/SGO/CAN/IDBDOCS#39671725-15

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/_/15

Barbados. Loan ___/CH-BA to the Government of Barbados
Strengthening Human and Social Development in Barbados

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, acting as Administrator of the China Cofinancing Fund for Latin America and the Caribbean, to enter into such contract or contracts as may be necessary with the Government of Barbados, as Borrower, for the purpose of granting it financing to cooperate in the execution of the strengthening human and social development in Barbados program. Such financing will be for the amount of up to US\$5,000,000 from the resources of the China Cofinancing Fund for Latin America and the Caribbean, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____2015)

BA-L1032
LEG/SGO/CAN/IDBDOCS#39671689-15