



Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 30-Nov-2022 | Report No: PIDC34603

**BASIC INFORMATION****A. Basic Project Data**

Country OECS Countries	Project ID P179210	Parent Project ID (if any)	Project Name OECS- Skills and Innovation Project (P179210)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Jun 05, 2023	Estimated Board Date Aug 25, 2023	Practice Area (Lead) Education
Financing Instrument Investment Project Financing	Borrower(s) OECS, St. Lucia, Grenada	Implementing Agency Saint Lucia, Organization of Eastern Caribbean States (OECS), Grenada	

Proposed Development Objective(s)

The Project Development Objective is to enhance skills and foster regional harmonization, academic excellence, and innovation in post-secondary education.

PROJECT FINANCING DATA (US\$, Millions)**SUMMARY**

Total Project Cost	35.00
Total Financing	35.00
of which IBRD/IDA	35.00
Financing Gap	0.00

DETAILS**World Bank Group Financing**

International Development Association (IDA)	35.00
IDA Credit	30.00
IDA Grant	5.00



Environmental and Social Risk Classification

Moderate

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

The Organization of Eastern Caribbean States (OECS) is an inter-governmental organization dedicated to regional integration of eleven small island states of the Eastern Caribbean. The OECS Commission is responsible for the administration and coordination of all the organs of the OECS: the Authority, Council of Ministers, OECS Assembly, and Economic Affairs Council. The two countries participating in this regional project, Grenada and St Lucia, are members of OECS together with nine other countries of the eastern Caribbean. Like other members of the OECS, these two countries face several key challenges, including low growth, high debt, fiscal deficits, and vulnerabilities to external shocks.¹ They have a combined population of 297,416, which places them among the smallest countries in the world in terms of land area, population size, and Gross Domestic Product (GDP). OECS member states are generally highly open economies that are heavily dependent on external demand for their goods and services, particularly tourism, which exposes them to economic volatility due to external shocks. This region exhibits substantial fluctuations in GDP growth rates, with fiscal policies tending to exacerbate output volatility. Although Grenada and St. Lucia find themselves at a very similar level of development (with a 2021 Gross National Income (GNI) per capita of US\$9,630 in Grenada and US\$9,680 in St. Lucia), economic growth differed substantially between the two countries before the COVID-19 pandemic, with an average growth rate of GDP per capita in 2010-2018 of 2.49 in Grenada and only 0.98 in St. Lucia.²

These two countries are particularly vulnerable to interconnected hazards exacerbated by climate change, such as extreme weather events and disease outbreaks. The effects of climate change in the OECS region will likely result in higher temperatures, changing rainfall patterns, rising sea levels, and increased intensity and frequency of natural disasters. The International Monetary Fund notes that vulnerability to natural disasters is one of the Caribbean states' main economic challenges. Hurricanes are a major natural hazard and pose significant destructive potential due to high wind speeds, heavy rains, and powerful storm surges that produce flooding, which may increase the threat of vector-borne diseases. In the Caribbean region, annual losses from hurricanes alone amount to US\$835 million.³ Examples of the potential scale of these hazards include the effects of Hurricane Tomas (2010) in St. Lucia, which caused an estimated loss of US\$336.2 million, or 43.4 percent of

¹ Although only two of the OECS member countries will participate in the Skills and Innovation Regional Project, other members will benefit from regional activities.

² Source: Macro Poverty Outlook (MPO) 2022. World Bank.

³ GFDRR (2015) Small Island States Resilience Initiative. Washington, DC: Global Facility for Disaster Reduction and Recovery.



GDP, and Hurricane Ivan (2004), which severely damaged Grenada's economic and social structures, and was estimated to have cost the island nation nearly 150 percent of its GDP.

Until 2019, Eastern Caribbean states successfully kept tourism at the heart of their economic models, but it is becoming increasingly risky and unsustainable. With almost two-thirds of the workforce employed in the tourism industry, most OECS governments have made limited progress in the diversification of their economies away from this sector. Under this approach, the education system's priority was mainly producing a workforce with specialized skills in the hospitality industry (such as chefs, hotel clerks, and tour guides). During economic downturns, unemployed workers often migrate to the United States and send remittances back home. However, this economic model has proved unsustainable during severe external shocks, such as natural disasters or, more recently, the COVID-19 pandemic. While on average, in Latin America and the Caribbean, the economy contracted by 7 percent during the pandemic, in the OECS region, the decline was almost 14 percent, with Grenada and St. Lucia having GDP per capita falls of 13.8 and 20.7 percent, respectively.⁴ International travel was almost completely halted in 2020 to contain the spread of COVID-19, resulting in a 70 percent drop in earnings from tourism. While the tourism industry started to recover thanks to global vaccination efforts and resumption of international travel, many individuals who lost their jobs during the pandemic risk becoming long-term unemployed.

Sectoral and Institutional Context

Skills shortages in the region adversely affect productivity and, ultimately, growth. There is significant evidence of skills shortages in OECS countries, with firms in Grenada identifying an inadequately educated workforce as the second-biggest obstacle to doing business,⁵ and almost 40 percent of firms in St. Lucia seeing the current level of workers' skills and education as a significant hindrance to competitiveness.⁶ In 2020, 27 percent of the job openings in SVG required higher education, and over half of the open positions remained unfilled due to insufficient applicants meeting the required skills of the vacancies. Moreover, data from 2019 indicate that about 57 percent of all workers in St Lucia were underqualified for their jobs.⁷ This situation can be partly explained by the high emigration rate of highly skilled population (commonly known as "brain drain"), which also points to low availability of good jobs. Around 80 percent or more of those who emigrate from Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis (SKN), and Saint Vincent and the Grenadines (SVG) have completed tertiary education.⁸ This flight of human capital, added to the relatively low attainment of post-secondary education, contributes to skills shortages, especially of transversal skills that are increasingly demanded in the labor market, such as foundational and higher-order cognitive, digital, and socio-emotional skills.⁹ The considerable skills mismatches underpin high youth unemployment and hamper productivity, which

⁴ World Development Indicators, World Bank.

⁵ World Bank Enterprise Surveys, 2010.

⁶ The 2018 Investment Climate Assessment Survey and Report for Saint Lucia. Preville & Associates Consulting Group (Saint Lucia) Limited. Submitted November 15, 2018.

⁷ ILO Data, Labor Force Surveys.

⁸ World Bank (2018) [Organization of Eastern Caribbean States System Regional Diagnostic](#). Report Number: 127046-LAC, p. 98, based on Institute for Employment Research, brain-drain data 2010.

⁹ Jordan, D. (2020), [St. Lucia's Labour Market Needs Assessment Survey Report 2020](#). Giordano and Associates, Government of St. Lucia and World Bank, p. 53.



negatively affects business competitiveness, results in slow growth, undermines employment opportunities, and reduces returns to education, creating a vicious cycle.

At the same time, youth unemployment rates in the region are generally high, pointing to skills mismatches.

St. Lucia and Grenada have the highest levels of youth unemployment in the OECS region. In the years preceding the pandemic, more than 40 percent of youth (15 to 24 years old) in these countries were unemployed, with women more likely to experience unemployment.¹⁰ In 2019, youth unemployment in St. Lucia was 3 times higher than that for the population aged 25 years or above (11.8 vs. 37.2 percent). These figures increased significantly during the COVID-19 pandemic and continue to rise. Between 2019 and 2021, youth unemployment grew by 20 percent in St. Lucia (from 37.2 to 44.6 percent), but it was not a homogeneous shock.¹¹ Youth with higher education and skills were less likely to become unemployed during the pandemic, demonstrating the protective effect of education during shocks. In fact, data from the World Bank's COVID-19 High-Frequency Phone Survey (HFPS) for St. Lucia reveals that during the pandemic, 12.5 percent of those with tertiary education lost their jobs, but nearly twice as many (22.7 percent) of those with less than tertiary education did. Compared to their peers in LAC, however, high-skilled youth in the OECS are less likely to be employed, potentially indicating skills mismatches.¹²

Learning levels in OECS countries are generally low, and the learning crisis has been exacerbated by the COVID-19 pandemic.

While the region performs well along several human development dimensions, including relatively high access to education and antenatal care services; enrollment in early childhood education; and gender parity in gross enrollment rates in primary education, OECS students' foundational skills are weaker than those of students in OECD countries and LAC countries such as Mexico and Chile. The Human Capital Index (HCI) estimates that a child born in the Eastern Caribbean will be 53 to 60 percent as productive as they could be if they had enjoyed full education, health, and nutrition.¹³ This is to a large extent due to low quality of education: the Learning-Adjusted Years of Schooling (LAYS) indicator in the HCI shows that students in OECS countries who complete the expected 12 or 13 years of schooling only acquire the equivalent to approximately 8 years of instruction in a country with a high-performing education system. This gap in learning outcomes has grown even further due to the COVID-19 pandemic. Simulations based on an intermediate scenario regarding the length of school closures and the effectiveness of mitigation measures for Grenada forecast learning losses of 1.7 LAYS (from 8.3 to 6.6).¹⁴ In other words, this cohort of students missed about half of the learning they could have gained while attending school. At the same time, with closure of businesses and inability of many training institutions to deliver practical training remotely, the pandemic significantly impacted the possibilities for re-skilling and upskilling workers, a critical necessity in the region.¹⁵

¹⁰ Data is for 2013-2016, cited in WB OECS Systematic Regional Diagnostics (2018), p. 65, Figure 5-8.

¹¹ Data from ILO-LFS and WDI.

¹² World Bank (2018). Organization of Eastern Caribbean States System Regional Diagnostic. Report Number: 127046-LAC. June, 27, page 65. High-skilled is defined as completed tertiary education.

¹³ World Bank. 2020. The Human Capital Index 2020 Update: Human Capital in the Time of COVID-19. World Bank, Washington, DC.

¹⁴ World Bank estimates based on Azevedo, J.P.; Akmal, M.; Cloutier, M.H.; and Wong, Y.N. (2022). "COVID-19 Learning Loss Simulations: Global Update". Washington, D.C.: The World Bank Group. Unpublished Manuscript, published in World Bank (2022), Two Years After: Saving a Generation. Washington, DC: World Bank.

¹⁵ WB-OECS (March 2021) COVID-19 Rapid Response Survey - Skills and Post-secondary Education in OECS.



There is low participation in post-secondary education, especially among men, contributing to shortages of skilled workers. Fewer than 10 percent of all adults in the Eastern Caribbean have attained higher education, which is low for middle-income countries.¹⁶ Tertiary enrollment rate in the OECS is 44 percent,¹⁷ compared to 54 percent in LAC.¹⁸ In the OECS, Grenada had the lowest post-secondary non-tertiary¹⁹ enrollment rate at 8.3 percent, while Saint Lucia had the lowest tertiary enrollment rate at 15.4 percent.²⁰ Enrollment rates are also systematically higher for women than men, with the gaps being even wider than the LAC average. Female enrollment at the National Colleges is 60.7 percent in St. Lucia and 64.2 percent in Grenada, ranking one below and one above the OECS average of 62.4 percent.²¹ Women also tend to outperform men on standardized exams to access post-secondary education and are more likely to complete their studies.²²

Access to and quality of skills development are constrained by relatively low public expenditure on post-secondary education, which also limits the contributions of the higher education sector to innovate, tap into digital opportunities, and capitalize on emerging technologies. According to the OECS Statistics Digest for 2019-2020, most states spend between 12 and 14 percent of their education budget on higher education, compared to 25 percent in Latin America and 32 percent in OECD countries. The OECS spends 0.3 percent of its GDP on research and development (R&D), compared to 2 to 3 percent in developed economies.²³ The contribution of OECS post-secondary institutions to research, local development, and innovation remains largely untapped. Part of the problem is that National Colleges and post-secondary Technical and Vocational Education and Training (TVET) institutions are limited in size, which makes it challenging to have the capacity (e.g., equipment and staff) to build research economies of scale.

Moreover, quality and relevance of educational programs suffer from inadequate collaboration across post-secondary institutions and with employers. Results from the 2021 WB-OECS COVID-19 Rapid Response Survey revealed that most heads of National Colleges in the OECS consider promoting collaboration across National Colleges a priority. Nonetheless, all respondents indicated that their current level of regional cooperation is low due to a lack of a clear framework and financial resources. Digital technology could be leveraged to allow institutions in the OECS to build research networks and pool resources in selected areas of common interest and high value added, such as agroindustry, the green and blue economies, and renewable energy. Moreover, digital transformation can enable OECS post-secondary institutions to expand their academic offer in fields where global demand is growing. Digital employment (also known as the Gig economy), for example, is one of the highest growth employment markets globally. It can allow the OECS workforce to access jobs in high-growth fields (such as big data, programming, and graphic design) without leaving their countries.²⁴ While some Caribbean post-secondary institutions cooperate with the private sector, most of these partnerships are

¹⁶ OECS, Education Strategy [2012, updated in 2020], p.22.

¹⁷ World Development Indicators, World Bank, data for latest year available for the six OECS countries.

¹⁸ World Development Indicators, World Bank, data for 2020.

¹⁹ According to International Standard Classification of Education (ISCED), post-secondary non-tertiary education is defined as “learning experiences building on secondary education, preparing for labour market entry as well as tertiary education” (UNESCO-UIS, ISCED 2011 Manual).

²⁰ World Bank Ed Stats considering the last year of data available: 2018 for Grenada and 2019 for St. Lucia

²¹ World Bank calculations based on OECS Statistical Digest 2017-2018; St. Lucia Central Education Statistical Digest 2018; SVG Education Statistical Digest 2019, Grenada Education Statistical Digest 2015.

²² World Bank based on OECS Education Statistical Digest 2018, pp 176-184.

²³ Browne, R. A., & Shen, H. (2017). Challenges and Solutions of Higher Education in the Eastern Caribbean States. *International Journal of Higher Education*, 6(1), 169-179.

²⁴ WB-OECS (March 2021) COVID-19 Rapid Response Survey - Skills and Post-secondary Education in OECS.



sporadic. Post-secondary institutions could engage more proactively with employers through internships, joint research, dual programs, professional development of instructors, and providing training services to enterprise staff, among others.²⁵

To make education more effective, relevant, and personalized, post-secondary institutions need to invest in their digital infrastructure. Virtual Learning Environments and Digital Learning Management Systems can promote higher student engagement, provide relevant courses for the needs of the rapidly changing labor market, and facilitate learning continuity during climate- or health-related shocks. The COVID-19 pandemic has prompted the OECS National Colleges to develop capabilities for virtual instruction, but the transition has not been easy. For instance, leaders of National Colleges reported having to cancel or postpone practical training, including internships, dual programs, and the use of school laboratories and workshops during the pandemic. Furthermore, leaders of National Colleges estimate that 25 percent of all students enrolled in their academic programs do not have access to adequate connectivity. Despite ongoing efforts to provide virtual education, many students still cannot access it. Limited teachers' and students' digital skills and lack of equipment and connectivity are obstacles to successfully tapping into the opportunities offered by digital education. Indeed, leaders of OECS National Colleges indicate that despite marginal improvements in connectivity and hardware infrastructure during the lockdown, the development of digital learning content and the adoption of EdTech remains limited and uneven across the OECS.²⁶ Furthermore, evidence of low development on practically all digital economy readiness indicators is especially noticeable in Eastern Caribbean countries, where peers at comparable levels of socioeconomic development are ahead.²⁷

Relationship to CPF

This Project is aligned with Pillar 1 (Economic growth and competitiveness) and 2 (Human and social development) of the Eastern Caribbean Regional Partnership Framework FY22-25. The Project is specifically aligned with the High-Level Outcome 2: Improved Human Capital and Objective 4: Strengthen Health Services Delivery and Skills Enhancement Programs. Priorities for WB regional engagement include: (i) utilizing EdTech and digital solutions to improve pertinent academic offer for individuals in need for reskilling; (ii) mainstreaming student services for support and remediation, student counseling, and career services; (iii) building new technical programs in key strategic sectors of potential growth, such as the blue economy and digital animation; and (iv) developing information systems to provide critical information for enhancing the TVET programs' quality and relevance and monitor student transitions from education into employment.

C. Proposed Development Objective(s)

The Project Development Objective is to enhance skills and foster regional harmonization, academic excellence, and innovation in post-secondary education.

²⁵ Rampersad, David, H. K. H.-S. (2019). Tertiary Education–Private Sector Engagement: A Strategic approach to catalysing innovation, economic revitalisation, and inclusive development in CARICOM countries. *Revista Educación Superior Y Sociedad (ESS)*, 31(31), 42-57. Retrieved from: <https://www.iesalc.unesco.org/ess/index.php/ess3/article/view/110>

²⁶ Royston E. and Germain, A. (2020) [An Assessment of the Transition to Virtual Learning In the OECS](#) (August), pp 6-9.

²⁷ Caribbean Digital Transformation Program (P171528) Project Appraisal Document.



Key Results (From PCN)

The achievement of the PDO will be monitored and measured through the following proposed key results, all of which would be disaggregated by gender, where applicable:

- i. Number of post-secondary students with improved skills (as measured by selected skills assessments), disaggregated by gender
- ii. Number of post-secondary institutions implementing Regional Enhancement Plans
- iii. Number of regional harmonized standards and frameworks adopted
- iv. Number of formal partnerships for innovation, technology, or knowledge transfer successfully implemented by regional innovation hubs
- v. Number of post-secondary teachers with improved teaching practices, disaggregated by gender

D. Concept Description

Component 1, *Strengthening participation of post-secondary institutions in regional networks and innovation activities*, will support regional activities to strengthen the participation of OECS National Colleges and post-secondary TVET institutions in regional networks and innovation activities (such as innovation-led entrepreneurship and open innovation). It will develop regional public goods in the form of common standards for teaching, the assessment of students' learning, and the provision of student services, and it will promote innovation-led partnerships with the private sector. It will be implemented by the OECS Commission, with potential partnership with other regional organizations, such as the CXC and University of West Indies (UWI), and it will benefit participating countries directly, as well as potentially other countries in the OECS region.

Component 2, *Fostering better skills and regional academic excellence in post-secondary education*, will provide direct support to National Colleges and selected post-secondary TVET institutions in participating countries to implement Regional Enhancement Plans (REPs) and improve teaching and learning for priority skills with the objective of promoting academic excellence and fostering better skills in the OECS region. It will develop state-of-the-art learning environments in these post-secondary institutions that will also benefit students and/or faculty in other institutions in the region through cooperation mechanisms established in this component. The component will be implemented by Project Implementation Units in Saint Lucia and Grenada.

Component 3 is a Contingent Emergency Response Component (CERC). Due to OECS's high vulnerability to natural disasters, including those exacerbated by climate change, and its vulnerability to global shocks, as exposed by the current COVID-19 crisis, a CERC will be included in the Project. The CERC is designed as a mechanism for rapid response in the event of an eligible emergency, which can be activated upon request from the Government. This component would not have any initial funding allocation, but in the event of an emergency, uncommitted funds could be reallocated from other components in accordance with an Emergency Action Plan prepared by the Government and the CERC's implementation modalities.

Component 4 will provide technical assistance to support the implementation of project activities.



Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	No
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

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APPROVAL

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