



Appraisal Environmental and Social Review Summary

Appraisal Stage

(ESRS Appraisal Stage)

Date Prepared/Updated: 01/26/2021 | Report No: ESRSA01261



BASIC INFORMATION

A. Basic Project Data

Country	Region	Project ID	Parent Project ID (if any)
Haiti	LATIN AMERICA AND CARIBBEAN	P173743	
Project Name	Private Sector Jobs and Economic Transformation (PSJET)		
Practice Area (Lead)	Financing Instrument	Estimated Appraisal Date	Estimated Board Date
Finance, Competitiveness and Innovation	Investment Project Financing	1/21/2021	3/11/2021
Borrower(s)	Implementing Agency(ies)		
Ministry of the Economy and Finance	Ministry of the Economy and Finance		

Proposed Development Objective

Contribute to labor demand by strengthening MSMEs and value chains resilience to crises and their expansion through business development services and access to financial resources

Financing (in USD Million)	Amount
Total Project Cost	75.00

B. Is the project being prepared in a Situation of Urgent Need of Assistance or Capacity Constraints, as per Bank IPF Policy, para. 12?

No

C. Summary Description of Proposed Project [including overview of Country, Sectoral & Institutional Contexts and Relationship to CPF]

The project focuses on reducing fragility by contributing to labor demand by strengthening MSMEs and value chains resilience to crises and their expansion through business development services and access to capital. This goal will be achieved by improving the capacity of firms in targeted value chains to adjust to the new market conditions brought by crises and by increasing the capacity of the financial sector to mitigate risks when lending to MSMEs (including new young entrepreneurs and self-employed ones) in an uncertain economic environment. The development of Haiti has suffered from high political, economic, social, and climate-related risks. Evidence suggests that job opportunities can reduce individual motivations to engage in violence and destabilizing activities, and that greater well-being is linked



with less conflict and violence. The job environment in Haiti suffers from limited growth of firms in a context of difficult business environment; significant constraints on financial resources to support recovery; socio-political instability; COVID-19 crisis; disaster and climate related risks; and violence and insecurity. To factor these challenges, the project was designed following the Government of Haiti post-COVID-19 economic recovery agenda as highlighted in the 'Plan de Relance Economique Post COVID-19' (PREPOC) by including key elements to reach the creation of more and better jobs, including increasing firm productivity through upgrading capabilities; access to markets; and access to finance which are key pillars for firm growth.

D. Environmental and Social Overview

D.1. Detailed project location(s) and salient physical characteristics relevant to the E&S assessment [geographic, environmental, social]

The project will support MSMEs incorporated in Haiti through Business Development Services (BDS), grants for investments and working capital and an increase in the supply of credit, and aims to achieve this through 4 project components:

- (i) Component 1: Investing in MSMEs resilience (\$31 million)
- (ii) Component 2: Improving access to finance for MSMEs (\$38 million)
- (iii) Component 3: Enhancing Strategy, Coordination, Project Management and Impact Evaluation (\$5 million).
- (iv) Component 4: Contingent Emergency Response Component (US\$0.0 million).

Under component 1, the project will provide business development services and grants that can be used to finance investments and working capital focusing on individual or groups of established MSMEs incorporated in Haiti with a good track record in terms of previous performance nationwide. The exact geographic location and sectors of the MSMEs to be financed will not be known until during project implementation.

Under component 2, the project will support second-tier lending operations nationwide. Second-tier meaning a credit line intermediated by the Fond de Développement Industriel (FDI) to Participating Financial Institutions (PFIs) for on-lending to micro, small, and medium enterprises (MSMEs). FDI will use the WB funds to enable PFIs to channel investments with MSMEs. The exact location of the MSMEs to be financed will not be known until implementation. The Project will finance loans disbursed through eligible PFIs to MSMEs for productive purposes, meaning working capital or investments that will help firms run their businesses, improve their production processes, improve businesses management, and create or improve their products. The project will not finance consumer loans, housing loans, student loans, etc. The number of PFIs with the potential to become eligible isn't yet known. Clearly defined eligibility criteria will be developed and detailed in the Project Operations Manual (POM), which will be applied during the implementation of the Project. These criteria will ensure that the loan proceeds are used for the intended purposes following the obligations described in the Loan Agreement, including E&S requirements. Only FI subprojects entailing low and/or moderate E&S risks will be financed with this operation; specifically, the POM will include an exclusion list of activities, works or projects that shall not be eligible for inclusion in the Project and that shall not be eligible for financing by FDI using Bank financing proceeds for this project.

The World Bank's Environmental and Social Framework (ESF) applies to activities supported under the project -- including grants to MSMEs for investment and working capital and the supply of credit. The investments undertaken by firms through the grants and lines of credit will entail environmental and social risks similar to those traditionally



associated with small physical works, which may be compounded in the Haitian context. Activities requiring physical or economic displacement will be excluded from project financing.

This project is taking place within a context of considerable socio-political unrest which have the potential to elevate environmental and social risks. For the last two years the country has been experiencing intense periods of political violence that has resulted in temporary closures of businesses, schools, and public services – the “peyi lock”. The interruption to economic activity has been compounded by the COVID-19 lockdown. The proposed project seeks in part to reinvigorate the private sector which has suffered during consecutive periods of lockdown. Given the fragile political economy and continued socio-political pressures (high and rising inflation, increasing food scarcity, gang violence), it is foreseeable that there may be spillover effects that could elevate the environmental and social risk profile of the project.

D. 2. Borrower’s Institutional Capacity

The Ministry of Finance (MEF) will be the main institution responsible for overall project implementation. The project implementation unit (PIU) will be the Project Coordination Unit (UCP) under the MEF. This is the first project under ESF that MEF – any PIU within MEF – will implement. MEF-UCP has experience in implementing the Bank-supported Haiti Business Development and Investment project (BDI, P123974) under the Bank’s safeguards policies, albeit with inconsistent staffing dedicated to E&S aspects in the past. For PSJET preparation, MEF-UCP has mobilized an E&S consultant to support instrument preparation and consultation activities, with technical assistance and capacity building support from the World Bank. For project implementation, MEF-UCP capacity to manage E&S-related risks will be enhanced by the addition of a full-time E&S consultant, to be hired no later than 60 days after Project effectiveness. This consultant will be a key member of MEF-UCP with primary responsibility to supervise the E&S aspects of the Project, and monitor and report on E&S commitments during project implementation. During implementation, any additional institutional and capacity gaps identified will be filled through recruitment of staff and/or consultants, training series for current and future staff, as well as capacity support to implementing partners.

Component 1 focusing on BDS and grants will be delivered through a service provider which will be responsible for implementation and day to day activities to ensure implementation of the project’s E&S actions set out in the ESCP, including E&S instruments for managing the risks under this component. The service provider will comprise a dedicated environmental specialist and a social specialist during project implementation.

Component 2 will be implemented by FDI in partnership with an International Asset Manager (IAM) that will be responsible for the implementation and day to day operation of the line of credit and partial risk guarantee in line with the POM. The IAM will be responsible to implement the Environmental and Social Management System (ESMS) applicable to the project, as defined in the POM. The PFIs will also be required through the financing agreements between FDI and the PFIs, to adopt and apply the procedures of the ESMS. The IAM will include a dedicated environmental and social specialist. The IAM will also enter into agreement with an E&S service provider to carry out independent E&S monitoring of MSME activities. Through sub-component 2.2 the project will support the FDI to strengthen its institutional capacity for E&S management.

II. SUMMARY OF ENVIRONMENTAL AND SOCIAL (ES) RISKS AND IMPACTS

A. Environmental and Social Risk Classification (ESRC)

Moderate



Environmental Risk Rating

Moderate

The proposed environmental risk classification is assessed as Moderate. The majority of activities under Component 1 (direct matching grants) and Component 2 (financial intermediary investments) will consist solely of low- to moderate environmental risk projects that are highly localized (within existing MSME footprints, for example) and which the sub-project screening process will select based on their low- to moderate-risk. Any projects assessed as entailing high or substantial risk activities will be screened out through the screening process if they are not previously determined ineligible for financing based on the exclusion list included in the POM. Factors that may elevate this risk include the large geographical scope of the project (national scope), the fact that this is the first project applying ESS9 in Haiti, coupled with potential implementation challenges resulting from the socio-political context. As such, environmental risk is assessed as Moderate. Based on technical discussions during preparation and a typology of the types of activities to be financed, associated risks and impacts are likely to be: (i) predictable, temporary, and/or reversible; (ii) low in magnitude; (iii) site-specific; and (iv) unlikely to result in serious adverse effects to human health and/or the environment. The FI subprojects will be governed by the ESMS and subject to the E&S criteria set out in the ESMF and POM. Across both components, only low and/or moderate risk investments will be financed.

Social Risk Rating

Moderate

The proposed social risk classification is Moderate considering the nature and magnitude of the potential social risks and impacts of subprojects and the exclusion of high and substantial risk activities. Key activities under the Project include the provision of grants and loans targeting Micro, Small & Medium Enterprises (MSMEs). Although subprojects of the MSMEs are not pre-identified, their impacts and risks are expected to be moderate given the magnitude of the subprojects and the restrictions described under ESS1. Key potential risks include: (i) challenging socio-political environment and COVID 19-related conditions that may hamper effective and consistent stakeholder engagement, (ii) labor issues through deficient compliance with labor regulations such as Health and Safety ; (iii) lack of participation of MSMEs in remote areas of the country due to lack of access to clear information. Activities with resettlement risks are excluded from being included or financed under the proposed project through the exclusion list.

B. Environment and Social Standards (ESSs) that Apply to the Activities Being Considered

B.1. General Assessment

ESS1 Assessment and Management of Environmental and Social Risks and Impacts

Overview of the relevance of the Standard for the Project:

Environmental and Social risks and impacts are assessed as Moderate for the reasons outlined above.

Under Component 1, grants will be provided to MSMEs to support their ability to weather the current COVID crisis and retain and/or hire labor. Grants may also be used to finance small investments. To manage any potential environmental and social risks that may result from grant-making activities, an Environmental and Social Management Framework (ESMF) has been developed. The ESMF identifies potential positive and negative impacts and outlines mitigation measures to be followed. It includes an Integrated Pest Management Plan (IPMP) to manage potential risks and impacts for investments in the agriculture sector. The ESMF sets out a “negative/exclusion list” that presents ineligible expenditures for grant resources (e.g. non-approved pesticides for small-holder farmers) and specifies that high and substantial risk activities are considered ineligible for this project financing.



The ESMF also presents management and mitigation measures for other potential risks that have been identified as set out in more detail below, including to labor, pollution management, community health and safety, inclusion of disadvantaged and vulnerable groups, SEA/SH prevention, as well as sanitary measures to reduce COVID-19 contagion risk while the pandemic persists. The ESMF also contains an annex outlining measures to manage potential risks and impacts in line with the World Bank CERC Guidance Note from October 2017, should the contingent emergency response (Component 4) be activated.

For Component 2, the FI component of the project will be governed by an ESMS defined in the component's POM. The project legal agreement will set out exclusions on the types of expenditures that FI subprojects cannot finance, including any activities triggering involuntary resettlement or likely to present significant risks to the environment, to communities, to workers, or to Haiti's cultural heritage, as evaluated through the eventual E&S risk screening process central to the ESMS (where all FI subprojects will be screened, reviewed and categorized according to their potential environmental and social risks and impacts in line with the requirements of ESS9). High and substantial risk sub-projects will be excluded from financing under this component.

For any technical assistance activities supported under Components 1 through 3, the requirements set out in paragraphs 14–18 of ESS1 will apply, as relevant and appropriate to the nature of the risks and impacts arising from the TA. Terms of reference, work plans or other documents defining the TA scope and outputs will be drafted so that the advice and other support provided is consistent with ESSs 1–10.

The following E&S instruments have been prepared:

- Advanced drafts of (i) ESMF (including Labor Management Procedures), (ii) Stakeholder Engagement Plan (SEP), and (iii) Environmental and Social Commitment Plan (ESCP) have been prepared and will be disclosed and consulted prior to the appraisal mission.
- the ESMF and SEP will be updated, adopted and disclosed at the latest 30 days after Effectiveness.

The ESMS for Component 2 will be included as part of the POM which will be adopted and disclosed before any FI-investments are considered.

ESS10 Stakeholder Engagement and Information Disclosure

The COVID-19 pandemic poses a challenge for stakeholder engagement and disclosure of information, as stakeholder engagement and consultation processes cannot be conducted in person, and as per usual practices. As long as COVID-related restrictions place limitations on traditional forms of stakeholder engagement, the requirements of ESS10 will be met by following guidance set out in the World Bank's "Technical Note: Public Consultations and Stakeholder Engagement in WB-supported operations when there are constraints on conducting public meetings" (March 20, 2020) as well as emerging experiences from other WBG projects in Haiti (e.g. ASPIRE, CHUD, MDUR).

MEF-UCP has prepared a Stakeholder Engagement Plan (SEP), which (i) includes a mapping of the project stakeholders, making a distinction between those directly affected by the project and other interested parties; (ii) describes the timing and methods of engagement with key stakeholders throughout the life cycle of the project, including engagement activities before project appraisal; (iii) describes the type of information that will be provided



to stakeholders and how feedback from stakeholders will be solicited and recorded, (iv) includes differentiated measures to remove obstacles to participation as well as allow the effective participation of those identified as disadvantaged or vulnerable, and (v) describes the project-level Grievance Redress Mechanism (GRM) to be developed by the borrower per the requirements of ESS10. The GRM builds on existing mechanisms that have been developed for other Bank funded projects in Haiti, and will be managed by MEF-UCP. A specific Grievance Mechanism for project workers under ESS2 will also be established separately from the overall project GRM. The relevant provisions of ESS10 will be included in the FI's environmental and social procedures as part of the ESMS.

Project documents, including environmental and social risk management instruments and the ESCP, will be timely disclosed to ensure meaningful and informed engagement with all project stakeholders, building on the iterative consultation process with key stakeholders during project preparation. Engagement with stakeholders will continue throughout project implementation. Finally, relevant provisions of ESS10 will be included in the FI's environmental and social procedures as part of the ESMS.

As noted above under ESS1, the draft SEP will be disclosed and consulted prior to the appraisal mission, and finalized, adopted and re-disclosed at the latest 30 days after effectiveness.

B.2. Specific Risks and Impacts

A brief description of the potential environmental and social risks and impacts relevant to the Project.

ESS2 Labor and Working Conditions

ESS2 is considered relevant to this Project. MEF will establish the MEF-UCP which will be a hybrid structure composed of civil servants and consultants considered as direct workers. Government civil servants involved in project implementation and oversight that have not been transferred to the project are not considered direct workers, however ESS 2 paragraphs 17 to 20 - Protecting the Work Force, and paragraphs 24 to 30 - Occupational Health and Safety are applicable. Employees of implementing partners, including service providers and contractors are considered contracted workers under ESS 2.

The nature of the COVID-19 pandemic requires occupational health and safety (OHS) training in line with international good practice to be considered in all contracts with workers. Training will be delivered in order to limit exposure to the virus, communicate provisions for treatment if exposed, and to avoid transmission to local communities and beneficiary households. While the number of Project Workers cannot be estimated at the current stage, no large-scale labor influx for the Project is expected.

Labor management procedures (LMP) have been drafted by MEF-UCP, in line with ESS2. The use of forced labor or the use of child labor for any person under the age of 18 is prohibited for this Project, in line with Paragraphs 17-20 of ESS2, and this will be included in the ESCP. As mitigation measures, the Borrower will implement adequate OHS measures in line with the ESMF, which includes related guidelines on infection prevention during COVID-19 pandemic. Measures relating to OHS, to protect workers from injury, illness, or impacts associated with exposure to hazards encountered in the workplace or while working, are documented in the LMP. The OHS measures consider the World Bank Group's General Environment, Health, and Safety Guidelines (EHSGs) and include the obligation to



provide infection prevention and control precautions, adequate supplies of PPE, etc. The Borrower will also ensure a nondiscriminatory, decent work environment; including ensuring that all workers adhere to the World Health Organization (WHO) Code of Ethics and Professional conduct as well as Good Industry Practice and WHO guidance on COVID-19. A code of conduct will be signed by all Project Workers. The hiring of security personnel is not foreseen. The measures to ensure compliance with ESS 2 will be embedded in all project contracts and monitored by the MEF-UCP. A Project Workers GRM will be established in line with the requirements of ESS2, as detailed in the LMP.

A well-developed draft LMP has been prepared, and will be disclosed and consulted with the ESMF prior to the appraisal mission and finalized, adopted and re-disclosed at the latest 30 days after effectiveness.

ESS3 Resource Efficiency and Pollution Prevention and Management

This standard is relevant. Project financed activities – either through grants or through FI investments – have the potential to stimulate economic activity that may generate air, water, or land pollution or result in the consumption of finite resources. These risks and any associated impacts are likely to be low- to moderate and highly localized. Given the dominance of agriculture in Haiti’s economy, it is likely that a large proportion of MSME-targeted funding will be to micro- and small-enterprises in the agriculture/agri-food sector and may be used to procure pesticides, fertilizer, or other agricultural inputs that have the potential to cause environmental harm. To reduce the likelihood of any negative impact of investments in any sector, the ESMF presents technically and financially feasible measures to mitigate foreseeable risks and impacts. With respect to the agriculture sector in particular, the ESMF includes an Integrated Pest Management Plan to outline measures for provide guidance on effective and environmentally friendly measures for control and management of pests, pesticide storage, etc. To help ensure resource efficiency, the ESMF includes guidance to improve efficient energy, water, and raw material consumption and where grant proceeds will be used to buy goods or to finance warehouse construction or rehabilitation, the ESMF prioritizes energy- and water-efficient equipment, where feasible. With regard to pollution management, increased economic activity may result in waste generation and the ESMF outlines waste management protocols for the safe storage, removal and disposal of waste. The waste management plan also addresses measures for the secure disposal of any personal protective equipment (PPE) for protection against COVID procured under the project, in line with good international practice. For the FI-investments, the POM and ESMS will include procedures related to ESS3 to require that all subprojects are assessed, prepared and implemented to meet national law in relation to resource efficiency and pollution control.

ESS4 Community Health and Safety

This standard is relevant. Given that the Project will finance grants and loans to MSMEs for productive purposes, meaning working capital or investments that will help firms to run their businesses, improve their production process, improve business management, create or improve their products, the most important community health and safety potential risks could be related to temporary construction such as dust, noise, disposal of hazardous and non-hazardous wastes, safe operation of vehicles etc. Labor influx and related risks are not expected.

For subprojects to be financed under the matching grants (Component 1), the project’s ESMF will address sub-project activities that may pose community health and safety risks and identify mitigation measures to be applied through ESMPs where applicable. For subprojects to be financed by FDI through the IAM (Component 2), the ESMS will assess



sub-project activities that may pose community health and safety risks. The ESMS will include provisions to consider ESS4 requirements in the screening of all FI-Subprojects to exclude activities that could involve significant risks to community health and safety.

Security risks and impacts that would require the use of security forces are not anticipated.

ESS5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement

This standard is not relevant. Land acquisition and activities inducing resettlement will be part of the project’s negative list. Sub-projects will be screened to verify that they do not include physical or economic displacement, restriction of access, or any ESS5 related adverse impacts, and projects with such impacts will be screened out.

ESS6 Biodiversity Conservation and Sustainable Management of Living Natural Resources

This ESS is currently relevant. Grant-making activities and FI investments are expected to flow to MSMEs with existing operational footprints and as such, any construction or rehabilitation works will not take place within contexts where they could potentially affect biodiversity, natural habitats, or living natural resources, either positively or negatively. Nonetheless, project beneficiaries, especially in the agriculture and horticulture sectors, could use project funds to purchase chemical agricultural inputs with the potential to harm local biodiversity and the health of living natural resources. As noted above under ESS3, an IPMP included in the ESMF sets out measures to minimize possible negative impacts associated with the use and handling of these products. Any investments identified through screening as being adjacent to protected areas or other key biodiversity hotspots and likely to generate risks or negative impacts to surrounding biodiversity or natural resources will be screened out.

ESS7 Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities

This standard is not relevant. There are no Indigenous Peoples in Haiti that fulfill the four characteristics indicated under ESS7.

ESS8 Cultural Heritage

This standard is relevant. While works to be financed under project activities are expected (a) to be minimal and (b) to take place within existing operational footprints, they nonetheless may potentially involve minor civil constructions and/or excavations that could in turn potentially impact tangible or intangible cultural properties. To manage these risks, Chance Find procedures will be set out as a precaution in the ESMF and ESMS and applicable to any grant financing or FI-investment that is directed at small-scale construction or rehabilitation activities.

ESS9 Financial Intermediaries

This standard is relevant. Component 2 of the project aims to support FDI to expand second-tier lending operations to serve MSMEs through PFIs. The FDI will assume the credit risk of the PFIs, while the latter will take on their books the credit risk of the MSMEs. As such the FDI is required under this operation to monitor and manage the



environmental and social risks and impacts of the 2nd tier FI Subprojects through an ESMS. FI sub-projects will include working capital, acquisition of fixed assets and investments. Specific sectors and activities to be supported will only be known during implementation. An exclusion list will be included in the loan agreement to screen out prohibited activities. All high and substantial risk sub-projects will be excluded from this project financing.

Under the proposed operation, FDI will be required to develop, implement, and maintain a project specific ESMS consistent with the requirements set out in ESS9 and proportionate to the 2nd tier FI subproject risks. The ESMS applicable to the project will be detailed in the Project Operational Manual and will include: (a) an E&S policy, (b) clearly defined E&S procedures and capacity to screen sub-projects and conduct due diligence to evaluate E&S risk and assign risk category (low, moderate, substantial and high), (c) systems/processes for due diligence to evaluate, monitor, review and manage E&S risks and impacts of sub-projects (evaluate the E&S performance of on-going subprojects and the portfolio on a periodic basis), (d) organizational capacity and competence including a budget and a senior level position designated for reporting on the ESMS as well as providing training and capacity-building on ESMS procedures and performance; and (e) external communications and reporting mechanisms on E&S performance.

An E&S service provider (firm or NGO) will be mobilized to provide independent E&S monitoring of MSMEs benefitting from project support under Component 2.

The ESMS will be prepared, adopted and disclosed before any FI-investments are considered.

Public Disclosure

C. Legal Operational Policies that Apply

OP 7.50 Projects on International Waterways	No
OP 7.60 Projects in Disputed Areas	No

B.3. Reliance on Borrower’s policy, legal and institutional framework, relevant to the Project risks and impacts

Is this project being prepared for use of Borrower Framework? No

Areas where “Use of Borrower Framework” is being considered:

None

IV. CONTACT POINTS

World Bank



Contact:	Javier Suarez	Title:	Program Leader
Telephone No:	5727+2262 / 509-281-22200	Email:	jsuarez@worldbank.org

Contact:	Amadou Dem	Title:	Senior Economist
Telephone No:	+1-202-458-7740	Email:	adem1@worldbank.org

Borrower/Client/Recipient

Borrower: Ministry of the Economy and Finance

Implementing Agency(ies)

Implementing Agency: Ministry of the Economy and Finance

V. FOR MORE INFORMATION CONTACT

The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 473-1000
Web: <http://www.worldbank.org/projects>

VI. APPROVAL

Task Team Leader(s): Amadou Dem, Javier Suarez

Safeguards Advisor ESSA Marco Antonio Zambrano Chavez (SAESSA) Concurred on 26-Jan-2021 at 15:58:9 GMT-05:00