



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 27-Jan-2021 | Report No: PIDA30074

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

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|------------------------------------------------------|----------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------|
| Country Haiti | Project ID P173743 | Project Name Private Sector Jobs and Economic Transformation (PSJET) | Parent Project ID (if any) |
| Region LATIN AMERICA AND CARIBBEAN | Estimated Appraisal Date 28-Jan-2021 | Estimated Board Date 11-Mar-2021 | Practice Area (Lead) Finance, Competitiveness and Innovation |
| Financing Instrument Investment Project Financing | Borrower(s) Ministry of the Economy and Finance | Implementing Agency Ministry of the Economy and Finance | |

Proposed Development Objective(s)

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

Components

Component 1: Investing in MSMEs and value chains resilience and expansion

Component 2: Improving access to finance for MSMEs

Component 3: Enhancing Strategy, Coordination, Project Management and Impact Evaluation

Component 4: Contingent Emergency Response Component

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

| | |
|---------------------------|-------|
| Total Project Cost | 75.00 |
| Total Financing | 75.00 |
| of which IBRD/IDA | 75.00 |
| Financing Gap | 0.00 |

DETAILS**World Bank Group Financing**

| | |
|---------------------------------------------|-------|
| International Development Association (IDA) | 75.00 |
|---------------------------------------------|-------|



| | |
|-------------------------------------------------------------|-------|
| IDA Grant | 75.00 |
| Environmental and Social Risk Classification | |
| Moderate | |
| Decision | |
| The review did authorize the team to appraise and negotiate | |

Other Decision (as needed)

B. Introduction and Context

Country Context

Haiti, the poorest country in Latin America, remains locked in a cycle of low growth and limited poverty reduction, due to frequent economic contractions explained by political instability, institutional fragility and an extreme vulnerability to natural hazard shocks. Gross Domestic Product (GDP) growth averaged only 1.3 percent over the past two decades, unable to keep up with population growth, resulting in a stagnation of real income per capita estimated at constant US\$715 in 2019. The persistent legacy of political and economic elite capture, compounded by the absence of institutional mechanisms and policy fundamentals essential to an inclusive development, have resulted in extreme welfare inequality and socio-economic exclusion of the vast majority of Haitian people, which are fueling grievances, violence and cyclical unrest.

Sectoral and Institutional Context

Recently, the private sector has been hit by two major crises, starting in 2018-2019 with episodes of social unrest fueled by (sometimes violent) protests against corruption, poor governance and political instability. The increase in crime and the violent civil unrest outbreaks negatively impacted firms' activity and prompted the tourism sector's recession. The situation worsened with the COVID-19 pandemic that is weakening firm survival, leading to massive lay-off. Exports were severely hit by the episodes of social unrest and COVID-19, and as of June 2020, 80 percent of garment exporters expected their revenues to drop by at least 30 percent in 2020.

The formal sector is dominated by small firms which are relatively young and are likely to remain small in terms of number of employees due to deficient managerial and organizational capabilities, exposure to episodes of violence and insecurity, and lack of access to energy, water and finance. They employ a relatively small size of the labor force which is mainly working in a large informal sector which represents sixty-one percent of GDP and absorbs eighty-six percent of the labor force.

The weak institutional framework to support enterprises development and job creation also partly explains the poor performance of the private sector. It is characterized by a lack of a dedicated enterprise support agency, lack of Business Development Services (BDS) and access to finance tailored to the needs of the Micro, Small and Medium Enterprises



(MSMEs). Public initiatives to support MSME finance driven by the Ministry of the Economy and Finance (MEF), the Central Bank, the *Fonds de Développement Industriel* (FDI) and the public banks could be reassessed.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

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.

Key Results

The key result indicators include:

- Percentage of supported firms that increase employment
 - Share of beneficiary firms that increase employment that are women-owned or managed
- Percentage of increased value added of supported MSMEs in the selected value chains
- Firms benefiting from private sector initiatives
 - Women-owned / managed firms benefiting from private sector initiatives
- Beneficiaries reached with financial services
- Percentage of firms supported by the project impacted by COVID-19 that survive past the first year after the receipt of the grant

The number of jobs and value of exports by supported firms will be tracked and discussed during the mid-term review and in the economic monitoring section of selected project implementation status and results reports.

D. Project Description

The Project has four main components.

Component 1: Investing in MSMEs and Value Chains Resilience and their Expansion. This component will provide BDS and grants to improve firms' capabilities and strengthen targeted value chains. The grant can be used to finance investments and working capital to individual as well as groups of established MSMEs with a good track record in terms of previous performance. The project will adopt a funnel-type approach to building firm capabilities, providing inexpensive support to a wide selection of beneficiaries but more expensive, tailored services only to those who make it through an earlier stage. Grants provided to groups of firms aim to remove market failures in high potential sectors and value chains through investments in common services.

Component 2: Improving Access to Finance for MSMEs. This component will finance the provision of a Partial Credit Guarantee (PCG) and a Line of Credit (LoC) to Participating Financial Institutions (PFIs), possibly, through the FDI in



partnership with an international firm to support lending to MSMEs that could be used to finance their working capital and long-term productive investments. The Component will also provide support to strength FDI and PFIs capacity to provide financial services for MSMEs. Indeed, technical assistance will be provided to support the seamless integration of the PCG and the LoC into the business processes of FDI and PFIs as well as strengthen PFIs capacity to lend to MSMEs and strengthen their resiliency to crises.

Component 3: Enhancing Strategy, Coordination, Project Management and Impact Evaluation. This component will support the MEF to coordinate the day to day operations of the project and hold fiduciary responsibility. In addition, as part of its responsibility to coordinate the Jobs and Economic Transformation (JET) policy agenda, the MEF, through the *Direction des Etudes Economiques* (DEE), will be strengthened to coordinate JET programs and policies prepared with relevant sectoral ministries and the private sector. This component will also finance an impact evaluation to measure the impact of the project on jobs, differentiated by gender.

Component 4: Contingent Emergency Response Component. Following an eligible crisis or emergency, the Borrower may request the World Bank to re-allocate project funds to support emergency response and reconstruction.

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

Summary of Assessment of Environmental and Social Risks and Impacts

Environmental and social risks are assessed as moderate. Identified E&S risks and impacts include project workers exposure to the COVID-19 virus, waste management, particularly the disposal of PPE in the COVID context, challenging socio-political environment and COVID 19-related conditions that may hamper effective and consistent stakeholder engagement, labor issues through deficient compliance with labor regulations such as Health and Safety, lack of participation of MSMEs in remote areas of the country due to lack of access to clear information. The environmental and social risk management instruments present an overview of the main risks and potential impacts associated with the project and robust mitigation measures have been developed. These include an ESMF, SEP, LMP and ESCP, as highlighted above. The ESMF outlines a series of capacity building activities for implementing entities during project implementation.

E. Implementation

Institutional and Implementation Arrangements



A high level, Project Steering Committee will be established. It will be chaired by the MEF and comprised of the Ministry of Commerce and Industry, the Centre des Facilitation des Investissements, FDI, the Central Bank of Haiti; and representatives of the private sector and civil society. The MEF will ensure overall project coordination through the Project Coordination Unit (UCP/MEF) and the DEE department. The MEF with inputs from the MCI will supervise the implementation of Component 1. The management of the grant fund will be delegated to a competitively recruited private firm. The FDI will co-manage the PCG and the LoC of Component 2 with an international firm overseen by a Steering Committee as FDI institutional and governance structure is being built through participation in the project.

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APPROVAL

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Approved By

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|---------------------------|------------------|-------------|
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