

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**HAITI**

**CREATION OF AN INNOVATION AND ENTREPRENEURSHIP ECOSYSTEM IN  
NORTHERN HAITI**

**(HA-L1127)**

**PROJECT PROFILE**

The project team consisting of prepared this document: Claudia Stevenson (IFD/CTI); Team Leader; Ignacio de Leon, Alternate Team Leader (IFD/CTI); Adrian Magendzo, Edwin Goni and Nicola Magri (IFD/CTI); Ralph Denize (MSM/CHA); Salim Loxley (IFD/CMF); Rafael Julia (INT/TIN); Monica Centeno (LEG/SGO); Alain Marc Boucicault (CTI/CHA); Romina Kirkagacli and Lila Mallory (FMP/CHA); and Blanca Torrico (IFD/CTI)

Under the Access to Information Policy, this document is subject to Public Disclosure.

## PROJECT PROFILE

### HAITI

#### I. BASIC DATA

<b>Project Name:</b>	Creation of an innovation and entrepreneurship ecosystem in Northern Haiti	
<b>Project Number:</b>	HA-L1127	
<b>Project Team:</b>	Claudia Stevenson (IFD/CTI); Team Leader; Ignacio de Leon, Alternate Team Leader (IFD/CTI); Adrian Magendzo, Edwin Goni and Nicola Magri (IFD/CTI); Ralph Denize (MSM/CHA); Salim Loxley (IFD/CMF); Rafael Julia (INT/TIN); Monica Centeno (LEG/SGO), Alain Marc Boucicault (CTI/CHA); Romina Kirkagacli and Lila Mallory (FMP/CHA); and Blanca Torrico (IFD/CTI)	
<b>Beneficiary:</b>	Republic of Haiti	
<b>Executing Agency:</b>	Ministry of Economy and Finance	
<b>Financial Plan:</b>	IDB (IDB Grant Facility):	US\$5,000,000
	Local: <sup>1</sup>	US\$0,00
	Total:	US\$5,000,000
<b>Safeguards:</b>	Policies triggered:	B.1; B.10; B.11; B.17; B.2; B.3; B.6; B.7; OP-102; OP-704; OP-761; OP-703
	Classification:	C

#### II. GENERAL JUSTIFICATION AND OBJECTIVES

- 2.1 **Background.** After the 2010 earthquake, Haiti experienced a 5.3% contraction in Gross Domestic Product (GDP). Haiti has since experienced a gradual but slow economic recovery, with an average GDP growth of 3.9% during the 2011-2014 period. Construction and infrastructure have been the major drivers of growth, with an increase of public investment, mostly funded by international grants and loans at favorable conditions (Petro Caribe). In 2015, economic growth is estimated at 1%, mainly supported by exports and private consumption, and inflows of foreign aid and remittances.<sup>2</sup> Haiti's economy is mainly based on agriculture, light industry and assembly (50.4% of employment comes from the services sector, 38% agriculture and 11.5% industry) and the majority of private-sector investment is concentrated in export related sectors.<sup>3</sup> The country ranks 123 out of 144 countries in the Index of Economic Complexity<sup>4</sup> and 182 out of 189 countries in the 2016 Ease of Doing Business index report.<sup>5</sup>
- 2.2 **Rationale for intervention and main challenges to be addressed.** Haiti faces challenges as well as opportunities for promoting sustainable private sector-led growth and for reducing its vulnerability to exogenous shocks, as the current

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<sup>1</sup> The Universite d'Etat d'Haiti, Campus Roi Henri Christophe will provide in-kind contribution by supplying the existing facilities for the training center.

<sup>2</sup> International Monetary Fund. 2015. EIU. Report on Haiti. 2016.

<sup>3</sup> Compete Caribbean. Private Sector Assessment Report. 2015.

<sup>4</sup> Observatory of Economic Complexity.

<sup>5</sup> And a worsening of all Doing Business indicators in 2016, compared to 2013, except for the indicator related to Trading across borders.

economic model relies on a few, large formal firms and a large number of small, informal ventures. Most entrepreneurs engage into low value added activities, as the legal and regulatory context for promoting private sector activity is weak and there are few incipient initiatives to foster high value entrepreneurship.<sup>6</sup> There are around 900,000 micro, Small and Medium-Sized Enterprises, 60,000 of which are small and medium-sized (with between 10 and 49 employees), and around 40,000 are larger-sized companies (with 50-250 staff) and it is estimated that around 95% of companies in Haiti remain informal.<sup>7</sup> Although unemployment has been reduced since the 2010 earthquake to 12.1%, in 2012<sup>8</sup> underemployment remains high and wages low.<sup>9</sup> Many initiatives (through multilateral organizations or donors), address entrepreneurship, value chains and vocational training,<sup>10</sup> yet a void continues to exist to engage and to train new entrepreneurs that can generate higher value employment and develop the country's productive structure. In this regard, Haiti needs an innovative economic model, that favors entrepreneurship, innovation, the scaling up of small enterprises and higher value added. This model, envisioned as an experiment, due to its novel nature and the additional challenges posed in the Haitian context, will address the lack of specialized training, coaching, specialized facilities and networks to create new entrepreneurs.

- 2.3 An [innovation and entrepreneurship ecosystem](#) is defined as the space where entrepreneurs, scientists, investors and government officials, come together and interact to create new value through the discovery and execution of ideas and opportunities.<sup>11</sup> An innovation and entrepreneurship ecosystem is composed by stakeholders from the private, public and academic sectors, supported by intermediary institutions (business incubators and accelerators, technology transfer offices, investors networks, venture capitals, among others) whose capacity for innovation and entrepreneurship depends on the presence of key elements, such as the regulatory framework in place, skilled human capital, venture capital, etc.
- 2.4 **Economic activities are highly centralized.** Haiti has regional imbalances, with metropolitan Port-au-Prince accounting for more than 66% of Haiti's GDP. Around 80% of the country's industrial, commercial and financial activities and 88% of the financial sector are concentrated in the capital.<sup>12</sup> A priority of Haiti's National Recovery Action Plan is to create economic centers and bring jobs to its less developed regions, such as the Northern growth pole. This region lacks a targeted approach to promote entrepreneurship and connections to other national and regional ecosystems.
- 2.5 **The role of entrepreneurship as a motor for growth is incipient in Haiti.** Most entrepreneurs engage in informal, low value added activities in the

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<sup>6</sup> Marroquin. 2015. Entrepreneurship, Development and Economic Policy in Haiti.

<sup>7</sup> Private Sector Assessment Report. 2014.

<sup>8</sup> The extended definition of unemployment in Haiti was calculated to 27.20 in 2012.

<sup>9</sup> Minimum wage is currently US\$5.23 dollars per day. Nearly 75% of the Haitian labor force is engaged in small-scale subsistence farming and 60% of households depend on farming for their livelihood. (Marroquin, 2015).

<sup>10</sup> IDB-MIF and Women's economic empowerment in Haiti. Draft Report. 2105.

<sup>11</sup> Hwang and Horowitz 2012. Mason and Brown. 2014.

<sup>12</sup> Social Services are concentrated as well.

agriculture and trade industries, but few high value added activities. Recent entrepreneurial experiences show that there is a potential for innovation and entrepreneurship tailored to the Haitian reality. For example, the Compete Caribbean Program supported six entrepreneurial projects targeting the provision of basic services to the low income population and with employment generation potential.<sup>13</sup> Other initiatives, such as the provision of micro-health insurance, computer hardware, and information technology solutions have flourished as well.<sup>14</sup> Many of the entrepreneurial support activities can be improved and scaled up by creating networks with other initiatives that supports SMEs and entrepreneurial activity in the country.<sup>15</sup> An institutional and regulatory framework is needed to promote and support the sustainability of the entrepreneurship ecosystem.

- 2.6 **Haiti needs to an entrepreneurship and innovation ecosystem.** To promote sustainable growth through innovation, an entrepreneurship and innovation system is required in Haiti. Social returns on investment in innovation tend to be higher than the returns on physical capital, and the findings show that for less developed economies the returns are higher.<sup>16</sup> In order to start a business, entrepreneurs face challenges such as access to technology, burdensome bureaucratic requirements, lack of a business plan and accessing finance.<sup>17</sup> Only around 10.6% of the Haitian population has access to internet and Haiti ranked 188 out of 189 countries in the Starting a Business Indicator from the 2017 Doing Business Report.<sup>18</sup> Women entrepreneurs face additional challenges as women require more support to start new business lines with reduced risk, including help to identify viable businesses and assistance in accessing existing credit facilities (at the small and medium-sized level), and mentoring.<sup>19</sup>
- 2.7 **Complementarity with other operations.** The proposed investment program for US\$5 million will complement the Productive Infrastructure Series (HA-L1076, HA-L1081, HA-L1091, HA-L1055 and HA-L1101) as it sets the basis for new economic activities that will have synergies with the Parc Industriel de Caracol. It will complement the Northern Economic Pole Business Accelerator Program (HA-L1068) as of the Business Development Services (BDS) provided can be complementary to the training of the operation, and there is the possibility for synergies with the use of shared productive spaces and/or micro parks; and the Private Sector Development through Investment Promotion (HA-L1078) by fostering the development of entrepreneurs with viable firms that will generate

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<sup>13</sup> Compete Caribbean is a private sector development program that provides technical assistance grants and investment funding to support productive development in the Caribbean. The program is jointly funded by the Inter-American Development Bank, the United Kingdom Department for International Development and the Government of Canada.

<sup>14</sup> Marroquin (2015). Entrepreneurship, Development and Economic Policy in Haiti.

<sup>15</sup> Ibid.

<sup>16</sup> Navarro, Benavente and Crespi. 2016. The New Imperative of Innovation. Policy Perspectives for Latin America and the Caribbean.

<sup>17</sup> These obstacles are more severe for women entrepreneurs that face lack of education and business training. Women and economic development; women entrepreneur situation in Haiti. Center of Entrepreneurship and Innovation. They also face distinct and increased barriers to economic empowerment and one of the main factors identified for job creation is the need for training, in particular developing skills for long term scaling.

<sup>18</sup> Freedom House (2015). World Bank Doing Business Report (2015).

<sup>19</sup> Salaga Business Partners. 2015 IDB-MIF and Women's Economic Empowerment in Haiti. Marroquin. 2015. Entrepreneurship, Development and Economic Policy in Haiti.

the demand for the services and instruments offered in these operations, such as business development services, guarantees and financial support. In addition, the present operation will complement the activities carried out by Compete Caribbean in supporting entrepreneurs and Compete Haiti (in preparation) can support the scaling activities envisioned in the current program. The current operation incorporates the lessons learned from the operations geared toward private sector promotion, as it brings an innovative, less traditional approach for fostering entrepreneurship by concentrating on creating the required ecosystem for entrepreneurs, generating entrepreneurial capacity and fostering their development. It implies a change of culture and a “bottom up” approach to entrepreneurship, by creating new entrepreneurs with adequate training, as the other programs have concentrated efforts on supporting existing firms but not in creating new viable ventures. This operation is experimental in nature as it brings a new emphasis on building and ecosystem that will support the other ongoing private sector activities in the country.

- 2.8 **Objective.** The objective of the program is to promote entrepreneurial activity in the northern part of Haiti. The specific objectives will be to: (i) develop entrepreneurial capacity; (ii) facilitate access to finance for entrepreneurs; and (iii) develop networks and build capacity in the public sector regarding entrepreneurship.

### III. TECHNICAL ISSUES AND SECTOR KNOWLEDGE

- 3.1 The strategy of this project is to strengthen each one of the phases of the development of the entrepreneurial ecosystem in a sequential manner, utilizing a “bottom up” and phased approach.<sup>20</sup> These phases are: (i) development of competencies and abilities for entrepreneurship and generate a culture of entrepreneurship; (ii) once a group of entrepreneurs has been trained, key entrepreneurs that present viable<sup>21</sup> ideas will be supported in setting up and initiating their ventures; (iii) entrepreneurs that are initiating new ventures will be supported with networks; and (iv) entrepreneurs with viable ventures will be supported in accessing additional funds for scaling up. These phases will be complemented with the design and implementation of government policies to foster the sustainability of the intervention. This program is envisioned as an experiment, under which a new model for fostering economic growth will be tested with the potential to being scaled up in further operations.
- 3.2 **Component I. Developing an Entrepreneur Ecosystem in Northern Haiti.** This component entails the creation of an environment with the required human capital, entrepreneurship culture and space where entrepreneurs can receive training, interact with relevant stakeholders (other entrepreneurs, mentors, investors, and government) and execute on their business opportunities. This component will support an Entrepreneurship Center that will include: (i) a center to provide training to prospective entrepreneurs in business model development,

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<sup>20</sup> However, in exceptional cases, an entrepreneur that has an advanced project may not need to go through the sequences of actions, although the process for accessing to finance will need to comply with the selection criteria and participate in a competitive award.

<sup>21</sup> The program will develop the parameters, conditions and procedures to determine if an idea is viable in the Operating Regulations.

- early stage financing, marketing, intellectual property, commercialization, and company formation; (ii) a business incubator; and (iii) technology and prototyping. These three spaces will be included in the grounds of the Université d'Etat d'Haiti, Campus Roi Henri Christophe.<sup>22</sup> This component will foster networks by building connections between the Ecosystem in Northern Haiti, the industrial pole, the entrepreneurial networks in Port-au-Prince and with the rest of the world, including diaspora. This component will analyze the gender-specific gaps that may hinder women participation in the program, and will seek a proactive approach to enhance their participation.<sup>23</sup>
- 3.3 **Component II. Financial Support for Scalable Projects.** The component will provide competitive financing (grants) for the ventures that have been supported by the Center for Entrepreneurship and the Business Incubator. This type of support constitutes high risk financing to fill in the gap on the entrepreneurship cycle where the financial sector does not usually intervene. It will search for leverage funding (venture capital funds, angel investors, loan financing, crowd funding and other donor initiatives). The seed financing grants will be awarded with a set of clear criteria, and will not crowd out private sector investments.
- 3.4 **Component III. Policy Development Support.** An established and operational entrepreneurial ecosystem requires government intervention in the medium to long term. This component will support the central and local government in the design and implementation of entrepreneurship and innovation policy instruments that will sustain further development and scaling of the entrepreneurial ecosystem once the current project has been finalized. It will also provide support to fill in the gaps required for a sustainable entrepreneurship ecosystem.<sup>24</sup>
- 3.5 **Expected results.** It is expected that the operation will contribute to improving entrepreneurship and innovation by (i) developing an ecosystem for entrepreneurs; (ii) generating new formal entrepreneurs; (iii) building scalable startups; and (iv) capacity building in the public sector to foster entrepreneurship.
- 3.6 **Country context.** The government of Haiti has prioritized the development of the Northern Economic Growth Pole, with investment in infrastructure and technical assistance to enhance regional employment. The Haitian government's Action Plan for National Recovery and Development<sup>25</sup> lays out four private-sector development actions: (i) encouraging foreign direct investment; (ii) developing and implementing private-sector financing mechanisms through joint ventures; (iii) strengthening the business culture; and (iv) integrated investments in regional poles to stimulate economic development.
- 3.7 **Bank strategy with Haiti and Institutional Strategy.** The program is consistent with the Action Plan for Reconstruction and Recovery of the Government of Haiti and its priorities of employment generation and environmental protection. The

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<sup>22</sup> The University will supply existing facilities for the training.

<sup>23</sup> I.e. taking into account successful programs carried by the IDB-MIF with women participation, and analyzing bottlenecks such as the provision of childcare, transportation, etc.

<sup>24</sup> This component will map the different institutions that are in charge of activities related to entrepreneurship, in collaboration with central and local governments and will identify the best partners to contribute to the building and consolidation of the ecosystem, as well as measures to provide its sustainability.

<sup>25</sup> Private Sector Development Note. 2011.

- program is also consistent with the Bank's Country Strategy with Haiti (GN-2646),<sup>26</sup> by promoting private sector investment and contributing to the development of Haiti's Northern region. The program is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) and is aligned with the development challenges of: (i) social inclusion and equality; and (ii) productivity and innovation. The program is aligned with the cross-cutting theme of institutional capacity and rule of law.
- 3.8 **Lessons learned from related operations in Haiti.** Lessons from other operations in Haiti that support private sector (HA-L1068 Pilot Program for the Generation and Development of Productive Fabric in Priority Economic Development Areas and HA-L1078 Private Sector Development), show that a strong but efficient execution mechanism has to be in place. The role of the executing agency, and the mechanisms for interacting with private sector and entrepreneurs have to foster and efficient execution while providing a transparent and effective allocation of resources. A proactive approach from the Bank with continuous technical support has to be incorporated into the execution mechanism. Lessons learned from similar operations in Latin America and Caribbean, show that capacity building for entrepreneurs, along with a supportive ecosystem, is essential to promote innovation. Lessons learned from other projects in the region,<sup>27</sup> show the need to provide an integrated approach to entrepreneurs with specialized services, seed capital, institutional capacity and networks from a bottom up approach.
- 3.9 **Institutional Framework.** The Universite d'Etat d'Haiti, Campus Roi Henri Christophe will house the entrepreneurship center and incubator.<sup>28</sup> After an exhaustive analysis of different execution options, the team has reached an initial agreement with the Project Coordination Unit at the Ministry of Finance that is already executing HA-L1078 to take advantage of the technical synergies between the programs. In addition, it will seek to strengthen the capacity of the University through a partnership with specialized universities<sup>29</sup> (see [Execution Mechanism](#)). Component 2 will be carried out through a partnership with Compete Haiti (in preparation) or a similar structure that has the operational set up already in place (see other [donor activities in the region](#)).
- 3.10 During project preparation, the team will explore partnerships with other NGOs or stakeholders that can provide financial, administrative or technical resources to the program.
- 3.11 **Risks.** The project team has identified the possible risks: (i) political instability may affect the government priorities and hinder coordination among stakeholders; (ii) insufficient coordination among institutions may affect the effectiveness of the program; (iii) lack of commitment and understanding of the relevance of the program among public and private stakeholders; (iv) the risky context of Haiti , due to the capacity of the public and private sector and challenging economic conditions will pose additional challenges for

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<sup>26</sup> This country strategy is still in effect.

<sup>27</sup> For example, UR-L1071 Program to Support Future Entrepreneurs.

<sup>28</sup> Initial agreements have been reached with the understanding that it will be open to students from other universities and other entrepreneurs.

<sup>29</sup> Specialized in entrepreneurship activities in similar countries and in the management of incubators.

entrepreneurs; (v) the unfavorable business climate will create additional challenges for entrepreneurs; (vi) difficulty in scaling up and networking with other commercial activities within the island and outside the island; (vii) lack of financing for scaling up; (viii) lower than expected demand of high value entrepreneurs that will participate in the program; (ix) inadequate physical facilities for scaling up; (x) lack of sustainability of the program once the execution is finalized will impede a full-fledged development of an ecosystem; (xi) environmental pollution, noise and health hazard due to the construction of a new area within the university; (xii) difficult access to the facilities may affect the participation of entrepreneurs and (xiii) lack of information to allow for decision making and evaluation of the program. These risks will be analyzed with stakeholders.

#### **IV. ENVIRONMENTAL SAFEGUARDS AND FIDUCIARY SCREENING**

- 4.1 According to the Bank's Environment and Safeguards Compliance Policy (OP-703), the environmental and social classification for this project is "C".

#### **V. OTHER ISSUES**

- 5.1 The inherent risk of the nature of the project, including the dynamic nature of an entrepreneurial ecosystem and the different variables that are interrelated, call for a very responsive and adaptable execution arrangement, with proactive support and participation from the Bank, in the first stages. The institutional context under which a novel program will be implemented, needs an execution mechanism with additional technical support, provided both by the Bank and by specialized technical expertise, including partnerships with academia, private sector and other donor agencies.
- 5.2 The sustainability of the project is embedded in the sustainability of the ecosystem. As this types of initiatives take a long time to mature, its medium term sustainability is based on the success of the entrepreneurs that are part of the ecosystem and the participation of other stakeholders such as public and private sector and other donor agencies.

#### **VI. RESOURCES AND TIMETABLE**

- 6.1 It is expected that QRR distribution will take place on October 28, 2016, Draft Loan Proposal approval by OPC on February 10, 2017 and Loan Proposal consideration by the Board of Executive Directors March 29, 2017. The resources needed for project preparation are estimated at US\$84,800 (from administrative funds). Time needed for project preparation will be 1.345 FTEs (see Annex V).



CONFIDENTIAL

<sup>1</sup> The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.



# Safeguard Policy Filter Report

## Operation Information

Operation		
<b>HA-L1127</b> Creation of an innovation and entrepreneurship ecosystem in Northern Haiti		
Environmental and Social Impact Category	High Risk Rating	
C	{Not Set}	
Country	Executing Agency	
HAITI	{Not Set}	
Organizational Unit	IDB Sector/Subsector	
Country Office Haiti	ENTERPRISE DEVELOPMENT, CLUSTERS AND INNOVATION	
Team Leader	ESG Lead Specialist	
CLAUDIA STEVENSON	{Not Set}	
Type of Operation	Original IDB Amount	% Disbursed
Loan Operation	\$0	0.000 %
Assessment Date	Author	
6 Jul 2016	doriss	
Operation Cycle Stage	Completion Date	
ERM (Estimated)	19 Jul 2016	
QRR (Estimated)	22 Aug 2016	
Board Approval (Estimated)	{Not Set}	
Safeguard Performance Rating		
{Not Set}		
Rationale		
{Not Set}		

## Safeguard Policy Items Identified

### [B.1 Bank Policies \(Access to Information Policy– OP-102\)](#)

The Bank will make the relevant project documents available to the public.

### [B.1 Bank Policies \(Disaster Risk Management Policy– OP-704\)](#)

The operation is in a geographical area exposed to [natural hazards \(Type 1 Disaster Risk Scenario\)](#). Climate change may increase the frequency and/or intensity of some hazards.



# Safeguard Policy Filter Report

## B.10. Hazardous Materials

The operation has the potential to impact the environment and occupational health and safety due to the production, procurement, use, and/or disposal of hazardous material, including organic and inorganic toxic substances, pesticides and persistent organic pollutants (POPs).

## B.11. Pollution Prevention and Abatement

The operation has the potential to pollute the environment (e.g. air, soil, water, greenhouse gases).

## B.17. Procurement

Suitable safeguard provisions for the procurement of goods and services in Bank financed operation will be incorporated into project-specific loan agreements, operating regulations and bidding documents, as appropriate, to ensure environmentally responsible procurement.

## B.2 Country Laws and Regulations

The operation is expected to be in compliance with laws and regulations of the country regarding specific women's rights, the environment, gender and indigenous peoples (including national obligations established under ratified multilateral environmental agreements).

## B.3 Screening and Classification

The operation (including associated facilities) is screened and classified according to its potential environmental impacts.

## B.6 Consultations

Consultations with affected parties will be performed equitably and inclusively with the views of all stakeholders taken into account, including in particular: (a) equal participation by women and men, (b) socio-culturally appropriate participation of indigenous peoples and (c) mechanisms for equitable participation by vulnerable groups.

## B.7 Supervision and Compliance

The Bank is expected to monitor the executing agency/borrower's compliance with all safeguard requirements stipulated in the loan agreement and project operating or credit regulations.

## Potential Safeguard Policy Items

### B.1 Bank Policies (Gender Equality Policy– OP-761)

The operation is designed specifically to address [gender equality](#) or [women's empowerment](#) issues.

### B.1 Bank Policies (Gender Equality Policy– OP-761)

The operation will offer opportunities to promote [gender equality](#) or [women's empowerment](#).

## Recommended Actions

Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent) and Safeguard Screening Form to ESR.



## Safeguard Policy Filter Report

### Additional Comments

[No additional comments]



# Safeguard Screening Form

## Operation Information

Operation		
<b>HA-L1127</b> Creation of an innovation and entrepreneurship ecosystem in Northern Haiti		
Environmental and Social Impact Category	High Risk Rating	
C	{Not Set}	
Country	Executing Agency	
HAITI	{Not Set}	
Organizational Unit	IDB Sector/Subsector	
Country Office Haiti	ENTERPRISE DEVELOPMENT, CLUSTERS AND INNOVATION	
Team Leader	ESG Lead Specialist	
CLAUDIA STEVENSON	{Not Set}	
Type of Operation	Original IDB Amount	% Disbursed
Loan Operation	\$0	0.000 %
Assessment Date	Author	
6 Jul 2016	doriss	
Operation Cycle Stage	Completion Date	
ERM (Estimated)	19 Jul 2016	
QRR (Estimated)	22 Aug 2016	
Board Approval (Estimated)	{Not Set}	
Safeguard Performance Rating		
{Not Set}		
Rationale		
{Not Set}		

## Operation Classification Summary

Overriden Rating	Overriden Justification
Comments	



# Safeguard Screening Form

## Conditions / Recommendations

No environmental assessment studies or consultations are required for Category "C" operations.

Some Category "C" operations may require specific safeguard or monitoring requirements (Policy Directive B.3). Where relevant, these operations will establish safeguard, or monitoring requirements to address environmental and other risks (social, disaster, cultural, health and safety etc.)

The Project Team must send the PP (or equivalent) containing the Environmental and Social Strategy (the requirements for an ESS are described in the Environment Policy Guideline: Directive B.3) as well as the Safeguard Policy Filter and Safeguard Screening Form Reports.

## Summary of Impacts / Risks and Potential Solutions

A [natural hazard](#) is likely to occur or be exacerbated due to climate-related changes and the likely severity of the impacts to the project is [moderate](#).

A Disaster Risk Assessment, that includes a Disaster Risk Management Plan (DRMP) may be necessary, depending on the complexity of the project and in cases where the vulnerability of a specific project component may compromise the whole operation. The DRMP should propose measures to manage or mitigate these risks to an acceptable level. The measures should consider both the risks to the project, and the potential for the project itself to exacerbate risks to people and the environment during construction and operation. The measures should include risk reduction (siting and engineering options), disaster risk preparedness and response (contingency planning, etc.), as well as financial protection (risk transfer, retention) for the project. They should also take into account the country's disaster alert and prevention system, general design standards and other related regulations. For details see the DRM policy guidelines.

The project is located in an area prone to [hurricanes](#) or other [tropical storms](#) and the likely severity of the impacts to the project is [moderate](#).

A Disaster Risk Assessment, that includes a Disaster Risk Management Plan (DRMP), may be necessary, depending on the complexity of the project and in cases where the vulnerability of a specific project component may compromise the whole operation. The DRMP should propose measures to manage or mitigate these risks to an acceptable level. The measures should consider both the risks to the project, and the potential for the project itself to exacerbate risks to people and the environment during construction and operation. The measures should include risk reduction (siting and engineering options), disaster risk preparedness and response (contingency planning, etc.), as well as financial protection (risk transfer, retention) for the project. They should also take into account the country's disaster alert and prevention system, general design standards and other related regulations.



## Safeguard Screening Form

The project is located in an area prone to [inland flooding](#) and the likely severity of the impacts to the project is [moderate](#).

A Disaster Risk Assessment, that includes a Disaster Risk Management Plan (DRMP), may be necessary, depending on the complexity of the project and in cases where the vulnerability of a specific project component may compromise the whole operation. The DRMP should propose measures to manage or mitigate these risks to an acceptable level. This must take into consideration changes in the frequency and intensity of intensive rainfall and in the patterns of snowmelt that could occur with climate change. The DRMP includes risk reduction measures (siting and engineering options), disaster risk preparedness and response (contingency planning, etc.), as well as the financial protection (risk transfer, retention) of the project. The DRM Plan takes into account existing vulnerability levels and coping capacities, the area's disaster alert and prevention system, general design standards, land use regulations and civil defense recommendations in flood prone areas. However, the options and solutions are sector- and even case-specific and are selected based on a cost analysis of equivalent alternatives.

The project is located in an area prone to [earthquakes](#) and the likely severity of impacts to the project is [moderate](#).

A Disaster Risk Assessment, that includes a Disaster Risk Management Plan (DRMP), may be necessary, depending on the complexity of the project and in cases where the vulnerability of a specific project component may compromise the whole operation. The DRMP should propose measures to manage or mitigate these risks to an acceptable level. The measures should consider both the risks to the project, and the potential for the project itself to exacerbate risks to people and the environment during construction and operation. The measures should include risk reduction (siting and engineering options), disaster risk preparedness and response (contingency planning, etc.), as well as financial protection (risk transfer, retention) for the project. They should also take into account the country's disaster alert and prevention system, general seismic design standards and other related regulations.

### Disaster Risk Summary

Disaster Risk Level

**Moderate**

Disaster / Recommendations



## Safeguard Screening Form

The reports of the Safeguard Screening Form (i.e., of the Safeguards Policy Filter and the Safeguard Classification) constitute the Disaster Risk Profile to be included in the Environmental and Social Strategy (ESS). The Project Team must send the PP (or equivalent) containing the ESS to the ESR.

The Borrower prepares a Disaster Risk Management Summary, based on pertinent information, focusing on the specific moderate disaster and climate risks associated with the project and the proposed risk management measures. Operations classified to involve moderate disaster risk do not require a full Disaster Risk Assessment (see Directive A-2 of the DRM Policy OP-704).

The Project Team examines and adopts the DRM summary. The team remits the project risk reduction proposals from the DRMP to the engineering review by the sector expert or the independent engineer during project analysis or due diligence, and the financial protection proposals to the insurance review (if this is performed). The potential exacerbation of risks for the environment and population and the proposed risk preparedness or mitigation measures are included in the Environmental and Social Management Report (ESMR), and are reviewed by the ESG expert or environmental consultant. The results of these analyses are reflected in the general risk analysis for the project. Regarding the project implementation, monitoring and evaluation phases, the project team identifies and supervises the DRM approaches being applied by the project executing agency.

Climate change adaptation specialists in INE/CCS may be consulted for information regarding the influence of climate change on existing and new natural hazard risks. If the project requires modification or adjustments to increase its resilience to climate change, consider (i) the possibility of classification as an adaptation project and (ii) additional financing options. Please consult the INE/CCS adaptation group for guidance.

### Disaster Summary

#### Details

The project is classified as moderate disaster risk because of the likely impact of at least one of the natural hazards is average.

#### Actions

Operation has triggered 1 or more Policy Directives; please refer to appropriate Directive(s). Complete Project Classification Tool. Submit Safeguard Policy Filter Report, PP (or equivalent) and Safeguard Screening Form to ESR.



## ENVIRONMENTAL AND SOCIAL SAFEGUARD STRATEGY

### I. PROJECT DESCRIPTION

- 1.1 **Background.** After a 5.3% contraction in Gross Domestic Product (GDP) in 2010, due to the earthquake, Haiti, has experienced economic recovery, with an estimated GDP growth of 1.7% in 2014-2015 and an estimated forecast of 2.2%, mainly supported by an increase in exports and private consumption, as well as the support of inflows of foreign aid and remittances.<sup>1</sup> Haiti's private sector is dominated by agriculture, light industry and assembly (50.4% of employment comes from the services sector, 38% agriculture and 11.5% industry) and the majority of private-sector investment is concentrated in export related sectors, such as textile and garment and mainly mango and cocoa.<sup>2</sup> Haiti faces challenges as well as opportunities for promoting sustainable private sector-led growth. The country ranks 123 out of 144 in the Index of Economic Complexity,<sup>3</sup> 182 out of 189 countries in the 2016 Ease of Doing Business index report.<sup>4</sup>
- 1.2 **Haiti needs to enhance its entrepreneurship and innovation ecosystem.** In order to achieve robust, sustainable growth and a new model that promotes innovation, an entrepreneurship is required in Haiti. Social returns on investment in innovation tend to be higher than the returns on physical capital and the findings show that for less developed economies the returns are even higher.<sup>5</sup> In order to start a business, entrepreneurs face challenges in terms of getting access to technology, burdensome bureaucratic requirements, lack of a business plan and difficulty for accessing finance.<sup>6</sup> For example, about 10.6% Haitians have access to Internet and Haiti ranked 188 out of 189 countries in the Starting a Business Indicator from the "Doing Business Report."<sup>7</sup> Women entrepreneurs face additional challenges as the instances in place do not cater to their real needs.<sup>8</sup>
- 1.3 **Objective.** The objective of the program is to promote entrepreneurial activity through the creation of an ecosystem in the northern part of Haiti.
- 1.4 The strategy of this project is based on actions directed to strengthen each one of the phases of the entrepreneurial process as: (i) development of competencies and abilities to engage in entrepreneurship and generating a culture of entrepreneurship; (ii) supporting key entrepreneurs in setting up and initiating their ventures and (iii) support for scaling up. This will be carried through the following components:

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<sup>1</sup> International Monetary Fund. 2015. EIU. 2016.

<sup>2</sup> Compete Caribbean. Private Sector Assessment Report. 2015.

<sup>3</sup> Observatory of Economic Complexity.

<sup>4</sup> And a worsening of all Doing Business indicators in 2016, compared to 2013, except for the indicator related to Trading across borders.

<sup>5</sup> Navarro, Benavente and Crespi. 2016. The New Imperative of Innovation. Policy Perspectives for Latin America and the Caribbean.

<sup>6</sup> These obstacles are more severe for women entrepreneurs that face lack of education and business training. Women and economic development; women entrepreneur situation in Haiti. Center of Entrepreneurship and Innovation.

<sup>7</sup> Freedom House (2015). World Bank Doing Business Report (2015).

<sup>8</sup> Marroquin. 2015. Entrepreneurship, Development and Economic Policy in Haiti.

- 1.5 **Component I. Developing an Entrepreneur Ecosystem in Northern Haiti.** The entrepreneur development ecosystem for northern Haiti consists in creating a the proper environment and spaces where entrepreneurs can receive training, interact with relevant actors like other entrepreneurs, mentors, investors, government, etc. and execute on their business opportunities. The Entrepreneurship Center will provide training to prospective entrepreneurs in business model development, early stage financing, marketing and intellectual property protection and company formation, among others. In addition, this component will also support the strengthening of entrepreneurial networks by building connections between the Ecosystem in Northern Haiti and the existing industrial pole, the entrepreneurial networks in Port-au-Prince and with the rest of the world, including networking with diaspora. This component will be implemented in partnership with local partners such as universities.
- 1.6 **Component III. Financial Support for Scalable Projects.** The component will provide financing (grants) for the ventures that have been supported by the Center for Entrepreneurship and the Business Incubator under a competitive basis. This component will also support the seeking for leverage funding (venture capital funds, angel investors, loan financing, crowd funding and other donor initiatives).
- 1.7 **Component II. Policy Development Support.** This component will support the design, implementation, and monitoring and evaluation of public policies to support entrepreneurial and innovation activities.

**A. Institutional and Regulatory Framework**

- 1.8 The Universite d'Etat d'Haiti, Campus Roi Henri Christophe in Limonade is located in Northern Haiti, and was inaugurated in 2012 as a donation from the government of the Dominican Republic. Limonade is located in Haiti's nord Department, in the Cap Haitien arrondissement. It is a municipality of around 69,000 people. The Universite d'Etat d'Haiti is located at a short distance (10 km) from the Caracol Industrial Park (PIC—Parc Industriel de Caracol). The Universite d'Etat d'Haiti has 72 classrooms; laboratory and library space, and is able to receive nearly 10,000 students in the long term. The entrepreneurship center will be located in the University premises, as it has available space for expansion. Although the University is located in a high risk area for earthquakes and potential tsunamis, its distance from the coast (about 10 km) is above the estimated area of evacuation (3 km).
- 1.9 Haiti's Ministry of Environment (MOE) is the primary institution responsible for environmental management and protection. Currently, the MOE does not have a fully functioning EIA review system and its capacity is extremely limited, in particular for on-the-ground technical support, enforcement and monitoring.
- 1.10 There is currently no official earthquake resistant code in Haiti and no authority in charge of supervising construction buildings, although several guidelines have been created by technical assistance and donors.<sup>9</sup>

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<sup>9</sup> Teaching Building Professionals Design of Earthquake Resistant Buildings: Haiti Experience Dr. James P. Mwangi P.E., California Polytechnic State University, San Luis Obispo.

- 1.11 The Haitian Legislative Decree of January 2006 addresses issues related to ecosystem conservation, protected areas, protection of habitats and pollution control. As such, and as described in section 2.5, the MOE declared the Three Bays National Park in 2013.
- 1.12 The Haitian Labor Code addresses, among other things: (i) transportation for industrial sector employees; (ii) housing for workers; (iii) food for workers; (iv) the needs of pregnant women and nursing mothers; (v) health insurance for workers; and (vi) also minimum wages. Under the Haitian Labor Code, workers have the right to seek resolution of disputes relating to the payment of wages through a process mediated by the Labor Department. In order to benefit from the Haitian Hemispheric Opportunity through Partnership Encouragement Act of 2008 (HOPE II),<sup>10</sup> Haiti was required to develop a program to assess and promote compliance with core labor standards and national labor law. Better Work Haiti (BWH)<sup>11</sup> is implementing the Technical Assistance Improvement and Compliance Needs Assessment and Remediation (TAICNAR) Program.<sup>12</sup>

## **B. Environmental and Social Context**

- 1.13 Overall, the region is deficient in infrastructure, including roads, energy generation and in public services such as water supply, sanitation, solid waste management, education, healthcare and security. People in the region substantially depend on natural resources and, as a result, the region has suffered environmental degradation through loss of forest, water contamination, and overharvested coastal marine resources.
- 1.14 **Social and Cultural Context.** Today, the population of the towns and cities in the northeast is estimated at 378,000, of which 56% live in urban areas. The population under the age of eighteen in this region is 64%<sup>13</sup>, with slightly more men than women. Even as unemployment remains particularly high (64% in Limonade and 68% in Trou-du-Nord, for example) young Haitians in rural areas are less and less involved in traditional agriculture and are more likely to migrate to cities for education or job seeking. However, the principal sectors generating employment in the region are agriculture, fishing, salt production, and livestock.
- 1.15 Much like most of Haiti, the population lacks equitable access to basic social services such as education, housing, police services, healthcare, and food security. The difficulty of accessing potable water, affordable energy sources other than charcoal, and solid waste management services further exacerbate the social implications of environmental issues.
- 1.16 **Natural Disasters.** Although the northern corridor has not been studied in detail, the area is exposed to natural hazards, earthquakes, tropical storms, droughts

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<sup>10</sup> HOPE II, approved by the U.S. Congress in 2008, initiated support efforts to expand industry in Haiti by extending duty-free treatment to textiles, apparel, and other goods until 2018.

<sup>11</sup> BWH is a partnership program between the International Labor Organization (ILO) and the International Finance Corporation (IFC). Launched in Haiti in October 2009, the program aims at improving both compliance with labor standards and competitiveness in global supply chains. BWH also supports enterprises in implementing the ILO core international labor standards and national labor laws.

<sup>12</sup> These efforts will result in regular monitoring of textile industries with respect to compliance with the Haitian Labor Code and the ILO's Core Labor Standards.

<sup>13</sup> See *Etude D'Impact Environnemental Cumulatif du PIC - Rapport Intermédiaire*.

and floods. Of particular concern is the northern coast of Haiti which is skirted by the near-shore Septentrional fault (SF), one of the major faults of the island of Hispaniola (Haiti and Dominican Republic) and the North Hispaniola fault farther offshore to the North. The northern coast, especially the cities of Cap-Haitien and Port-de-Paix, has already experienced an estimated Mw 8.0 destructive tsunamigenic earthquake in 1842.

- 1.17 Although there is limited information on expected tsunami inundation in northern Haiti, recommendations for tsunami evacuation were issued. The U.S. National Tsunami Hazard Mitigation Program (NTHMP), in the absence of tsunami modelling recommends defining the evacuation zone 3 kilometres inland or 10 meters above sea level, unless there is historical evidence of larger events. Cap-Haitien inundation maps have been developed indicating inundation of 10 meters above sea level. This height seems reasonable for an event of ~Mw 8 as experienced in past tsunamis.<sup>14</sup>

## **II. ENVIRONMENTAL AND SOCIAL IMPACTS**

- 2.1 The operation is expected to have positive environmental and social impacts since it will improve the regions capacity to generate employment and economic activity, in particular in youth and women.

## **III. ENVIRONMENTAL STRATEGY FOR ANALYSIS**

- 3.1 Because of the potential impacts which are considered minor to moderate, readily manageable through the implementation of mitigation measures, the project team proposed a Category “C” classification under IDB’s Environmental Policy (OP-703). IDB Policies and Directives applicable to the program include OP-703, esp. B.6 “Consultation”, B.11 “Pollution Prevention and Abatement” and OP-102 “Disclosure Policy”.
- 3.2 It is not anticipated that resettlement will take place and that OP-710 on Involuntary Resettlement or OP-703, B.9 “Natural Habitat and Cultural Sites” will apply.

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<sup>14</sup> Earthquake and Tsunami Hazard in Northern Haiti: Historical Events and Potential Sources. Meeting of Experts. Port-au-Prince, Haiti. 10–11 July 2013.

**INDEX FOR COMPLETED AND PROPOSED SECTOR WORK**

<b>Issues</b>	<b>Description</b>	<b>Expected Dates</b>	<b>References and hyperlinks to technical files</b>
Technical options and design	Haiti Private Sector Assessment Report 2014.	Completed	<a href="#">Private Sector Assessment Report</a>
	Initial Report on options and findings for Entrepreneurship.	Completed	<a href="#">Entrepreneurship Report</a>
	Vertical Logic	Completed	<a href="#">Vertical Logic</a>
Initial Design of the co-working space	Document with recommendations of the layout.	September 2016	
Analysis of project cost and economic viability	Document estimating the economic viability of the proposed reform program.	August 2016	

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<sup>1</sup> The information contained in this Annex is confidential and will not be disclosed. This is in accordance with the "Deliberative Information" exception referred to in paragraph 4.1 (g) of the Access to Information Policy (GN-1831-28) at the Inter-American Development Bank.