



# Project Information Document (PID)

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Concept Stage | Date Prepared/Updated: 11-Aug-2020 | Report No: PIDC29145

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

Country Haiti	Project ID P173743	Parent Project ID (if any)	Project Name Private Sector Jobs and Economic Transformation (PSJET) (P173743)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Nov 04, 2020	Estimated Board Date Feb 02, 2021	Practice Area (Lead) Finance, Competitiveness and Innovation
Financing Instrument Investment Project Financing	Borrower(s)	Implementing Agency Ministry of the Economy and Finance	

**Proposed Development Objective(s)**

Support labor demand by strengthening MSMEs resilience through capital-centric interventions.

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

<b>Total Project Cost</b>	75.00
<b>Total Financing</b>	75.00
<b>of which IBRD/IDA</b>	75.00
<b>Financing Gap</b>	0.00

**DETAILS****World Bank Group Financing**

International Development Association (IDA)	75.00
IDA Grant	75.00

Environmental and Social Risk Classification

Concept Review Decision



Moderate

Track II-The review did authorize the preparation to continue

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 may partly explain the grievances, violence and cyclical unrest of recent years.

### 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 and reducing remittances. 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 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, the Central Bank, the Industrial Development Fund and the public bank could be reassessed.

### Relationship to CPF

The project is aligned with the Country Partnership Framework (CPF) FY16-FY19 (extended to FY21). The three areas of focus in the CPF are: (1) supporting inclusive growth; (2) building human capital; and (3) strengthening resilience. This project would contribute to pillar 1 and 2 of the CPF, in particular by supporting economic opportunities, the growth and resilience of MSMEs and therefore of jobs in time of crisis.



### C. Proposed Development Objective(s)

Support labor demand by strengthening MSMEs resilience through capital-centric interventions.

#### Key Results (From PCN)

The key PDO level indicators are: (i) jobs maintained and created by firms supported by the project; (ii) improved productivity level of MSMEs receiving business development services; (iii) improved survival of firms impacted by COVID-19; and (iv) increased access to finance by MSMEs.

### D. Concept Description

The following four components have been identified at this stage of project preparation.

**Component 1: Investing in MSMEs resilience and labor demand.** This component will provide BDS and grants that can be used by MSMEs to finance investments and working capital.

**Component 2: Improving access to finance for MSMEs.** The component will support the establishment of financial instruments and technical assistance that will contribute to MSMEs’ financing of working capital and long-term productive investments.

**Component 3: Enhancing Strategy, Coordination, Project Management and Impact Evaluation.** This component will support project management and coordination, including the establishment or the strengthening of a Project Implementation Unit that will be responsible for project monitoring and evaluation, procurement, financial management, safeguards, and citizen engagement.

**Component 4: CERC.** Following an eligible crisis or emergency, the Borrower may request the World Bank to re-allocate uncommitted 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 Screening of Environmental and Social Risks and Impacts

Environmental and social risks have been assessed as Moderate. The project will support MSMEs across the country through BDS and grants for investments and working capital, as well as an increase in the supply of credit. The project will place emphasis on supporting women entrepreneurship (BDS in component 1). The majority of activities under Component 1 (direct matching grants) and Component 2 (financial intermediary investments) are likely to imply low- to moderate environmental risk and be highly localized (within existing MSME footprints, for example). Factors that may elevate this risk include the national scope of the project, the fact that this is the first project applying ESS9 in Haiti, coupled with contextual risk factors include widespread social/socio-political unrest, especially over the last two years, and more recently compounded by COVID-19 related risks, all of which pose challenges to project implementation, monitoring, and supervision. Measures to mitigate and manage these risks will be outlined in the Environmental and Social Management Framework and in the Environmental and Social Management System.



**CONTACT POINT**

**World Bank**

Javier Suarez, Amadou Dem  
Program Leader

**Borrower/Client/Recipient**

**Implementing Agencies**

Ministry of the Economy and Finance  
Fritz-Gerald Louis  
Economiste  
fgerald07@yahoo.fr

**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>

**APPROVAL**

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

Country Director:	Anabela Abreu	18-Sep-2020
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