

Environmental and Social Strategy (ESS)

Willbes Haitian

(HA-L1069)

HAITI

I. INTRODUCTION

Date:	April 25, 2011
Country:	Haiti
Sector:	Manufacturing
Project name:	Willbes Haitian
Source of the deal:	Haiti Response Group / SCF management
Project team:	Jorge Gallón (SCF/CFI), Ivan Nuñez (SCF/CFI), Hilary Hoagland-Grey (VPS/ESG), Stefanie Brackmann (VPS/ESG), Serge Troch (VPS/ESG), Olivia Armenta (VPS/ESG), Jaspreet Birk (SCF/SYN), TBD (LEG/NSG)
Supervisor:	Warren Weissman, Division Chief, (SCF/CFI)
Borrower:	The Willbes & Co Ltd (KO) or to The Willbes Haitian S.A. (HA)
Sponsors:	The Willbes & Co Ltd. (KO)
PTI/SEQ:	Yes
Total project cost:	US\$ 12.0 million
IDB A-loan:	US\$ 4.0 million
IDB B-Loan	N/A

II. PROJECT DESCRIPTION

- 2.1 The Willbes Haitian S.A. (“Willbes HA” or the “Company”) investment entails the 2011-2012 expansion program of its existing garment production facility (sewing) and the addition of a printing facility in Haiti (“the Project”). The Project sponsor is The Willbes & Co LTD. (“Willbes”), a privately-owned company, headquartered in Seoul, Korea.
- 2.2 Willbes is an existing operator in Haiti with subsidiaries in the Caribbean and Central America as well as a diversified garment production that includes a large US customer base. As an established on-going concern, Willbes is a strong candidate to capitalize and the benefits from the United States trade preference programs. These programs include the 2008 Haitian Hemispheric Opportunity through Partnership Engagement (HOPE II) and its successor, the 2010 Haiti Economic Lift Program (HELP) Act.
- 2.3 The investment will occur in multiple stages over a period of nine years, and is expected to increase the sewing capacity of Willbes HA up to 400%. It’s anticipated that Willbes will invest US\$32 million for the machineries and line expansion until 2019.
- 2.4 Willbes HA is currently located in the Parc Industriel Métropolitain (PIM) in Port au Prince operated by the Société Nationale des Parcs Industriels (SONAPI), the PIM is currently the site for all of Haiti’s garment industry, except for the Grupo M operations in the CODEVI Free Zone in Ouanaminthe, in the Département du Nord-Est. PIM is home to several garment manufacturers (including Willbes HA) which occupy about 206,000 square meters of factory space in 62 buildings on a site of approximately 49 hectares. The Project is expanding to a 3-hectare plot on which four factory sheds with a total of 10,684 square feet of factory space are to be built, financed by IDB through the Sovereign Guarantee Program for Rehabilitation of Basic Economic Infrastructure (HA0093 – 1493/SF-HA).
- 2.5 The Project is expected to add 30 lines to the existing 40, with an annual capacity of about 1,875,000 dozen pieces, and will result in direct training and employment for 4,500 new Haitian workers. The first stage of the Project will require an estimated investment of US\$12 million. The Project loan facility is expected to be up to US\$8 million, including an IFC loan facility (lead arranger) of up to US\$ 4 million and a matching parallel loan from IDB respectively.

III. ENVIRONMENTAL AND SOCIAL COMPLIANCE STATUS

- 3.1 At this time the Company does not have an environmental and social audit for its current operation nor an environmental and social assessment (ESA) for the increased capacity. As part of the IDB’s due diligence process the Company will need to do an environmental and social audit prior to board approval (see Section 6).
- 3.2 At this time the IDB does not have any environmental and social information regarding the PIM and the factory shed expansion. As part of the due diligence process the IDB will assess the environmental and social management of the PIM.

- 3.3 As part of the HOPE II legislation¹, biannual reports are produced to show the efforts that have been made by factories in the textile and garment sector in Haiti to improve compliance with the international labor standards and with national labor law. The first report² has a list of the factories in the Haitian garment sector (including the Company's) detailing their status in 2009 at the time of Better Work assessments and their current status as of September 2010 (see Figure 2 for the Company's status). The report didn't indicate and major deficiencies in terms of freedom of association and collective bargaining, compensation, contracts and human resources, occupational health and safety and working time. Furthermore efforts were made by the company to remedy the priorities identified by the factory in consultation with Better Work.
- 3.4 Key policies and directives triggered in this project include B.04 (other risks), B.05 (environmental assessment requirements), B.06 (consultation), B.07 (supervision and compliance), B.11 (pollution prevention and abatement), B.15 (co-financing operation) of the Environment Safeguards Policy (OP-703), IDB Access to Information Policy (OP-102), and Natural Disaster Policy (OP-704). Based on current information (see below), the potential minor to moderate environmental and social impacts and risks of the Project, the team proposes an environmental classification of "B" for the Project under OP-703.

IV. ENVIRONMENTAL AND SOCIAL SETTING

- 4.1 The Project will occupy about 3 ha more of the industrial park (49 ha) is located to the north-east of Port-of-Prince next to the international airport (see Figure 1). Currently there is no information on the environmental and social setting around the industrial park, however generally speaking the park is located in a highly developed and degraded area that has been developed for industrial, commercial, and some residential use (see Figure 1). During the due diligence specific details of the surrounding area will be obtained, in particular the presence of sensitive environmental and social receptors.
- 4.2 The PIM started to be operational in 1974 and in 1981 the SONAPI by official decree were given the right to implant, organize and manage industrial parks throughout the country. Currently the PIM has 23 companies present on site with the majority of them being for textile manufacturing and export.
- 4.3 The labour pool in the Port-of-Prince is substantial since it has a population of about 700,000.

V. ENVIRONMENTAL AND SOCIAL IMPACTS AND RISKS

Environmental and Social Impacts

¹ The United States Congress enacted the Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act of 2006, which was implemented on March 19, 2007. HOPE provided duty-free entry to the United State garments manufactured in Haiti. In May, 2008, the U.S. Congress extended HOPE bill (HOPE II). The new bill requires social and administrative provisions for labor reform aligned with International Labor Organization (ILO) standards

² [Better Work Haiti: Garment Industry – 1st Biannual Report under the HOPE II Legislation. Produced on 19 October 2010](#)

- 5.1 Social impacts are expected to be minimal since the 4,500 workers are expected to come from Port-of-Prince (no influx migration). Nevertheless these workers will be in need of adequate transportation to and from the industrial park as well as services within the park. Only limited sewerage systems and waste disposal systems exist in the capital and drinking water quality is in general poor. Also, in general, public and private sector services (health centers and services, schools, markets, transportation, etc.) are not well developed and will be overburdened with additions demand.
- 5.2 Environmental impacts will be related to wastewater effluents which are expected to be minimal to moderate and will mostly come from sanitary water. As part of the due diligence the IDB will evaluate the current system in place used by the Company and within the industrial park to treat wastewater.
- 5.3 Additional solid waste will also be generated by the increased production; as part of the due diligence the IDB will evaluate how solid waste is managed and where the final disposal site is. Additional water needs sanitary and eating facilities needs as well as current and future water quality will need to be assessed.
- 5.4 Potential indirect environmental impacts from the associated development in the region surrounding the Project (e.g. housing and transport) could arise and could be difficult to mitigate.
- 5.5 In addition, the Project is likely to generate additional noise and dust in the working environment, thus affecting the workers and their occupational health and safety conditions. The current management policies and procedures in these regards will need to be assessed.

Environmental and Social Risks

- 5.6 Environmental and social risks could occur from: (i) workers right violation / labor and gender issues; (ii) transparency in the decision making process (e.g. with regards to hiring of labor); (iii) lack of consultation and involvement of local communities (e.g. with regards to job opportunities); (iv) lack of consultation and/or poor management of expectations; (v) security issues; and (vi) slum development around the project.
- 5.7 Given that the Project will rent space in the Industrial Park, the principal potential direct environmental risks from the Project that will occur during its operational phase could be linked to inadequate pollution control of water contamination from waste, including small quantities hazardous waste.
- 5.8 The risks of inundation and other natural disasters and negative impacts on the Industrial Park have to be carefully assessed.
- 5.9 All these risks if not appropriately addressed could lead to high reputational risks for the IDB.

VI. ENVIRONMENTAL AND SOCIAL DUE DILIGENCE

- 6.1 The focus of the environmental and social due diligence (ESDD) will be on the potential environmental and social impacts and risks of the current Company's operations and the incremental impacts and risks. One focus will be the company's current policies and guidelines on health and safety aspects and employment policies and procedures.

6.2 This evaluation will look at the following aspects:

- Assessment of company's compliance status with the Haiti (national, provincial, municipal, local) environmental, social, and health and safety regulatory requirements (e.g. laws, regulations, standards, permits, authorizations, applicable international treaties/ conventions, etc.), project specific legal requirements (e.g. concession contract, etc.), any applicable Bank environmental and social policy or guideline and relevant IFC guidelines. This includes the company's policies and guidelines on equal opportunities for women, the Company's HIV policy and Voluntary Principles on Security and Human Rights and employment policies and procedures.
- Evaluation of significant environmental, social, health and safety issues or liabilities arising from the company's current or past activities, and development, if necessary, of corrective measures.
- Evaluation of the company's environmental, health and safety management systems, including plans and procedures, responsibilities and resources, training, auditing, and reporting, and in particular all the system components necessary to ensure future projects and works which will be implemented will not generate negative impacts.
- Evaluation of the proposed Project to confirm that the project's direct and indirect environmental and social impacts have been properly identified and evaluated.
- Evaluation to ensure adequate environmental and social mitigation measures and monitoring, in terms of their completeness, sufficiency of detail, cost, definition of responsibility, schedule, and quality control.
- Determination of key indicators and requirements for the project execution, complete with timelines and milestones.
- Evaluation to ensure adequate health and safety plans and procedures, including their technical adequacy given the potential project-specific health and safety risks, adequate level of training will be performed, and sufficient resources will be made available to ensure adequate implementation.
- Evaluation to confirm adequate contingency plans (i.e. emergency and spill plans), including confirmation that all relevant project-related environmental risks have been identified, proper procedures have been developed, and sufficient resources will be made available to ensure adequate implementation.
- Evaluation of project-related information disclosure and public consultation activities that have been performed and the proposed future actions to provide adequate ongoing information disclosure and public consultation with the local population.
- Evaluation, and further development as necessary, of project (loan agreement) supervision and evaluation procedures to ensure proper implementation of environmental, social, and health and safety actions and requirements.
- Evaluation of environmental, social and health and safety terms and conditions in relevant project legal documents (e.g. concession contract, construction contract, operations and maintenance contract, etc.), in terms of sufficiency, potential risks or liabilities, or issues.

- Evaluation of SONAPI's environmental, health and safety as well as social system if available to ensure that companies within the PIM are adequately managing the environmental, health and safety as well as social impacts and risks.
- Once further Project information becomes available, this ESS will be revised to incorporate new information or supplement the conclusions and recommendations.

6.3 Following the conclusion of the ESDD, an ESMR will be prepared, summarizing the conclusions, and outlining the recommendations for the loan documents and the Project execution.

VII. ANNEXES

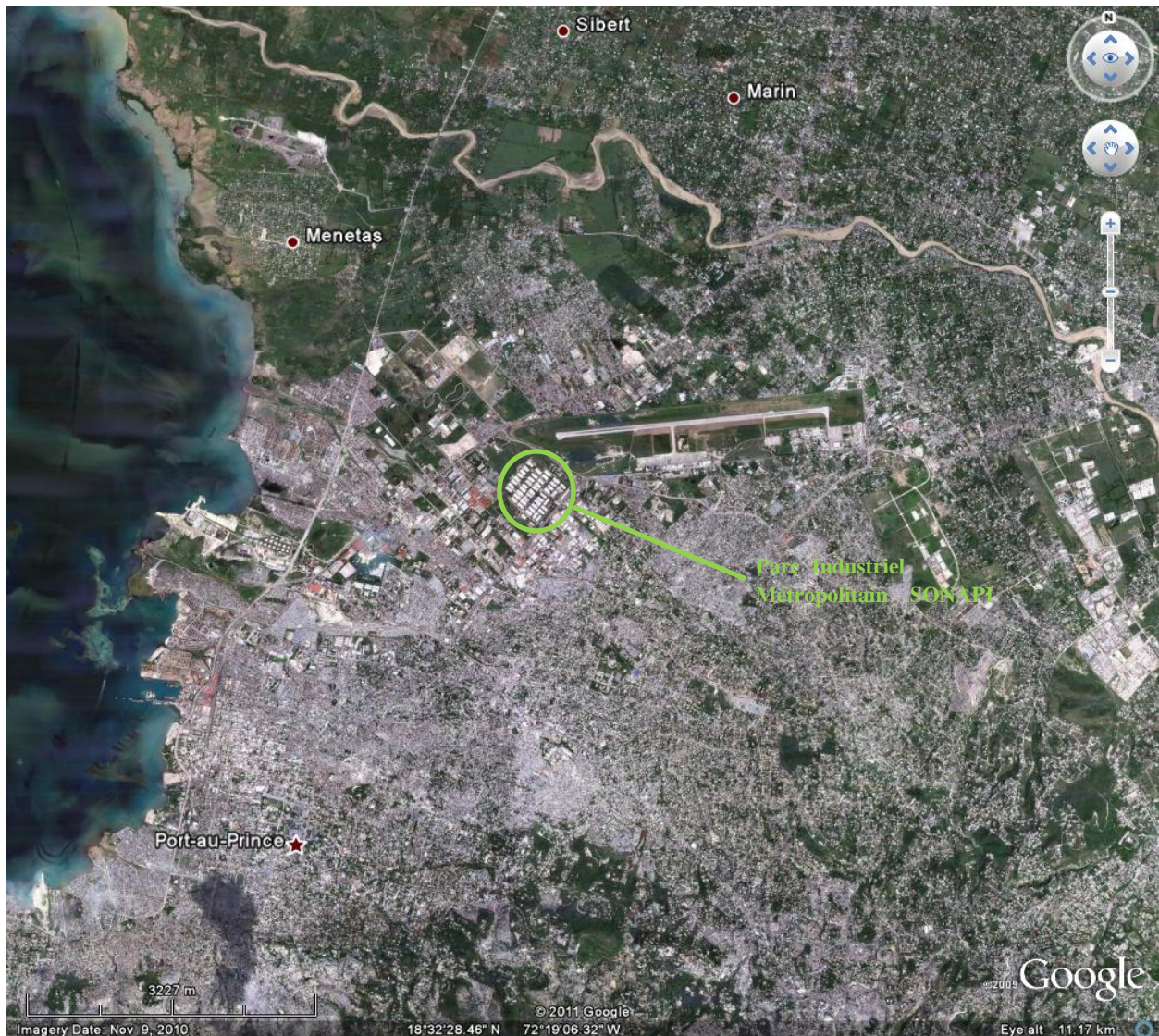


Figure 1 – Location of the Industrial Park (PIM)

Compliance needs		Improvement priorities identified by the factory in consultation with Better Work	Efforts made to remedy the compliance needs
Compliance cluster	Compliance point		
Freedom of association and collective bargaining	Union operations		
Compensation	Minimum wages		The enterprise is awaiting the consultation between Better Work and the tripartite partners.
	Overtime wages	The management will ensure that overtime is paid at double rates and included in the pay book in order to comply with legal obligations	The enterprise is awaiting the consultation between Better Work and the tripartite partners.
	Paid leave		The enterprise is waiting for a decision to be taken with the tripartite partners as there is a disparity between the provisions of the labour code (minimum wages) and the practice encouraged by the Ministry of Social and Employment (average wages) to be paid to the workers for leave days.
	Social security and other benefits	Contributions to Social Security funds (ONA)	The contribution record is available, but because the ONA is closed as a result of the earthquake, the contributions have not been paid in.
Contracts and human resources	Employment contracts	Employment contracts for migrant workers	The contracts for foreign workers will be drawn up at source, either in the Republic of Korea or in the Dominican Republic
	Contract procedures		
	Discipline and disputes	Disciplinary procedures in conformity with legal requirements	
Occupational health and safety (OSH)	OSH Management Systems	A written safety and health policy Formation of an OSH committee A register of accidents at work	Following the seminar on health and safety at work provided in September, all the factories will be given support in the coming months in drawing up systems for health and safety management. A health and safety committee will be set up or strengthened during the coming months, under the supervision of the Better Work advisors. A health and safety policy will also be drawn up.
	Chemicals and hazardous substances	Inventory, storage and labelling of hazardous chemicals Pipes Protection for workers who handle chemicals Training in the use of hazardous chemical substances and in personal protective equipment.	The inventory, storage and labelling of hazardous chemicals has been carried out A pipe has been installed in the store so that oil can be transferred automatically. Personal protective equipment has been provided for workers who handle chemicals

	Emergency preparedness	<p>A sufficient emergency exits</p> <p>Lights to indicate the emergency exits</p> <p>The emergency exits are accessible, unencumbered and unlocked</p> <p>Training the workers in the evacuation procedures and in the use of fire protection equipment</p>	<p>There are two emergency exits in each building.</p> <p>Lights have been installed to show the way to the emergency exits;</p> <p>The emergency exits are accessible, unencumbered and accessible</p> <p>Training is being given to the workers in the procedures for evacuation and in the use of fire protection equipment.</p>
	Health services and first aid	<p>Provide annual medical checks</p> <p>Training the workers in first aid</p>	<p>All the workers have received a free medical check-up.</p>
	Welfare facilities	<p>Adequate and accessible toilets</p> <p>Provide a rest room</p>	<p>The factory has contacted a plumber to ensure that all the toilets are adequate and accessible</p>
	Worker protection	<p>Personal protective equipment for persons working to clean stains ;</p> <p>Appropriate seats for workers who work sitting down ;</p> <p>Standing workers must be able to sit down at regular intervals and/or have standing mats to stand on</p> <p>Needle guards ;</p> <p>Proper installation of electrical wiring, switches and sockets</p>	<p>Personal protective equipment is being provided for persons working to clean stains</p> <p>The chairs are appropriate for seated workers</p> <p>Absorbent mats have been provided for workers who work standing up ;</p> <p>The machines have been inspected and the installation of guards is in progress</p>
Working time	Overtime	<p>Overtime must be in conformity with the Labour Code (80 hours per quarter) ;</p> <p>Employers who ask employees to work on a Sunday must have the permission of the Labour Directorate ;</p> <p>Correct the recording of overtime hours worked</p>	<p>Overtime must not exceed 80 hours each quarter. This will be respected.</p> <p>In future, if work takes place on a Sunday the employer will seek permission from the Labour Directorate.</p>
	Regular hours	<p>Daily rest periods</p>	<p>The rest break for meals is being reviewed to ensure that it is in conformity with the Labour Code.</p>

Figure 2 – Compliance table for the Willbes Haitian S.A.