

**Mitigating the Social Impacts of the Caracol Industrial Park
HA-T1181
TC Document**

I. Basic Information for TC

▪ Country/Region:	Haiti
▪ TC Name:	Mitigating the Social Impacts of the Caracol Industrial Park
▪ TC Number:	HA-T1181
▪ Team Leader/Members:	Suzanne Casolaro (Team Leader, VPS/ESG); Stefanie Brackmann (Co-Team Leader, VPS/ESG); Jonathan Renshaw (VPS/ESG); Melissa Barandiaran (VPS/ESG); Ligia Espinosa (VPS/ESG); Felipe Gomez-Acebo (CMF/CHA); Priscilla Rouyer (CMF/CHA), Patricio Zambrano (INE/WSA); Arcindo Santos (FMM/CHA); Ana Maria Sáiz (FMM/CHA); Jose Irigoyen (CDH/CDH); and Taos Aliouat (LEG/SGO)
▪ Indicate if: Operational Support, Client Support, or Research & Dissemination.	Operational Support
▪ If Operational Support TC, give number and name of Operation Supported by the TC:	HA-L1076 “Productive Infrastructure Program”
▪ Reference to Request: (IDB docs #)	IDBDOCS-#37766647-Accord pour que la CT HA-T1181 soit géré par la BID0001
▪ Date of TC Abstract:	February 1, 2013
▪ Donors Providing Funding	Korea Poverty Reduction Fund
▪ Beneficiary (countries or entities which are the recipient of the technical assistance):	Republic of Haiti
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ IDB Funding Requested:	US\$ 305,000
▪ Local counterpart funding, if any:	N/A
▪ Disbursement period/Execution Period:	30 months/24 months
▪ Required start date:	May 1, 2013
▪ Types of consultants (firm or individual consultants):	Individual Consultants and Consulting Firms
▪ Prepared by Unit:	VPS-ESG
▪ Unit of Disbursement Responsibility:	CHA
▪ Included in Country Strategy (y/n);	Y
▪ TC included in CPD (y/n):	N
▪ GCI-9 Sector Priority:	Private Sector Development; Small and Less-Developed Countries

II. Description of the Associated Loan/Guarantee:

- 2.1. The Bank is supporting the development of the Caracol Industrial Park (PIC) through a series of investment operations that will total approximately US\$180 million. Two operations are currently in execution (HA-L1055 2552/GR-HA and HA-L1076 2779/GR-HA) and a third (HA-L1081) is scheduled for approval in 2013. The Bank also has a Northern Economic Pole Business Accelerator Program (HA-L1068 2827/GR-HA) that seeks to develop and support sustainable, small scale firms (mainly microenterprises)

through strategic investments in technical assistance, business development services, and productive infrastructure. The proposed Technical Cooperation (TC) seeks to support the mitigation of the social impacts that the PIC will have in Northern Haiti. Through proactive measures, it will leverage other projects in the IDB portfolio and support the design of business plans for potential microenterprises and SME start-ups to be presented for financing and business development services under the Northern Economic Pole Business Accelerator Program (HA-L1068).

- 2.2. The PIC is an instrument for regional development in Northern Haiti. Its long-term objective is to increase economic activity by facilitating the establishment of private manufacturing firms that can create jobs and increase economic output. The IDB investments provide basic infrastructure, industrial facilities, management support, and complementary resources required for the construction, expansion, and operation of the PIC. The PIC projects are being implemented by the *Unite Technique d' Execution* (UTE) within Haiti's Ministry of Economy and Finance (MEF). The anchor tenant of the PIC is SAE-A Trading Company LTD, a Korean textile manufacturing firm that will employ up to 20,000 people over the next five years.
- 2.3. Without the PIC and a series of other investments planned for in the Northern region by the Government of Haiti (GoH), the population in the North is expected to grow 60 percent by 2030. With the PIC and other investments, the population is projected to grow 114 percent by 2030. Thus, investments in infrastructure, social and environmental sustainability, and governance capacity will be required meet the demands of such growth.
- 2.4. Specifically, the PIC puts increased pressure on the local environment and poses a series of social risks which include unregulated, informal development zones, population influx, and increased costs of living, particularly for PIC employees. Thus, to ensure environmental and social sustainability in this complex project, a series of assessments have been carried out over the past two years, and four TCs in the areas of water resources management, environmental strengthening, urban growth management, and social development have been designed for approval in 2013 to mitigate a set of potential social and environmental risks through a series of proactive measures.
- 2.5. This TC is equally aligned with the Bank's Country Strategy for Haiti 2011-2015 (GN-2646). The strategy's objectives include promoting private sector investment to create jobs, achieving sustainable growth and reducing poverty; and in the agriculture sector, improving food security, strengthening value chains, and increasing employment (op cit. paragraphs 3.13 and 3.28). Additionally, the TC is aligned with the strategic areas of the Report on the Ninth General Increase in the Resources of the IDB (GCI-9) which supports small and vulnerable countries and institutions for growth and social welfare, as well as fostering development through the private sector. Finally, the TC is aligned with the objectives of the Korea Poverty Reduction Fund to promote poverty reduction and social development activities for the benefit of vulnerable groups in the Latin America and Caribbean Region.

III. Objectives and Justification of the TC

- 3.1. The presence of PIC employees with some limited disposable income will attract commercial activity and food vendors to the area outside the PIC gates. Without proper planning for such commercial activity, unregulated, informal settlements are likely to develop, including food production in unsanitary conditions. Thus, the general objective of this TC is to mitigate the social impacts associated with the PIC by actively engaging local stakeholders and providing formal development opportunities for those in the immediate vicinity of the PIC, thereby limiting incentives for informal settlements outside the PIC as well as reducing the daily cost of living for PIC employees. In particular, the specific objectives are to: (i) develop business plans to address the need for formalized commercial activity and affordable food services both inside and outside the PIC and; (ii) actively engage local stakeholders in the development of their communities.

IV. Description of activities/components and budget

- 4.1. **Component 1: Mitigating Social Impacts through Gender Equitable Private Sector Development (\$135,000):** Initial research conducted by the IDB in 2012 identified several potential value chains that could provide local formal sector employment to vulnerable groups (including women), reduce daily costs of living for PIC employees, and reduce the incentives for informal settlements surrounding the PIC. These value chains include a locally sourced food service production zone that would provide low-cost inputs to formal PIC vendors and a productive PIC satellite hub that would include shuttle transportation to the PIC and areas of commerce. Thus, this component will finance the design of two business plans for both the: (i) Multimodal Transportation Hub and; (ii) Primary Agricultural Transformation Micropark. If feasible, the operational costs for establishment, productive infrastructure, and management by a local partner organization as detailed in both business plans for items (i) and (ii) could be directly financed by HA-L1068. Each business plan will contemplate equal opportunities for both male and female entrepreneurs.

Subcomponent 1.1: Multimodal Transportation Hub Business Plan US\$55,000:

Even though the PIC currently employs only 1,200 of the expected 20,000 people, the arrival and departure of employees is already drawing unregulated and unplanned commerce, transportation, and food services outside the gates of the PIC. While a formal transportation plan is underway, and many of the informal food vendors will gain the opportunity to develop microenterprises in the food service provision micropark inside the PIC, it is critical to organize the arrival and departure of employees while reducing incentives for informal development. Thus, a Productive Satellite of the PIC (SPP¹) will serve as a Multimodal Transportation Hub (MTH) to be managed by a local partner organization and will provide: (i) entry and departure zones for vehicles and bicycles; (ii) appropriate parking facilities; (ii) pick-up and drop-off areas for official PIC transportation services; (iii) areas of commerce, particularly for women; (iv) food vendor stalls, particularly for women; and (v) repair shops for vehicles. This formal development scheme would both address issues of informality as well as support micro-entrepreneurs

Satellite de Production de PIC, in French.

in the areas of transportation and commerce. The proposed TC will finance the design of a business plan for the SPP including the costs, inputs, and management of four primary segments: transportation, transportation repair, commercial vendors, and food vendors.

Subcomponent 1.2: Primary Agricultural Transformation Micropark (US\$ 80,000):

The provision of low-cost, high quality meals onsite at the PIC, from a variety of vendors, will limit employee incentives to leave the PIC during meal times and reduce demand for informal vendors outside the PIC gates. In 2012 the IDB financed the design of a business plan to support the organization of a food service provision system for micro-entrepreneurs onsite at the PIC, which will include the participation of informal vendors located outside the PIC, the majority of which are women. This micropark will be managed by a local partner organization that would be responsible for the organization, management, and training of food vendors. The financing of this business plan is underway through operation HA-L1068, but an additional business plan is needed to design the large-scale sourcing and production of agricultural inputs that food vendors will need for meal provision and ensure the lowest possible price for PIC employees. The proposed TC will finance the design of a business plan for the Primary Agricultural Transformation Micropark, which will include local inputs for production, primary processing and storage requirements, costs of management and operation by a local partner organization, amortization policies, and investment plan for potential expansion. This micropark will be developed on an already existing parcel of land that is owned and operated by the organization.

- 4.2. **Component 2: Mitigating Social Impacts through Active Stakeholder Engagement (\$135,000):** This component will assist the GoH and in particular the UTE, in the execution and management of the two plans developed by the UTE: the Compensation and Livelihoods Restoration Plan and the Stakeholder Engagement Plan. This component will finance consultancies that will provide: (i) strategic guidance to the UTE in community based mediation processes; and (ii) development of grievance mechanism processes and other participatory engagement mechanisms to engage communities in the development of the PIC.

Subcomponent 2.1: Stakeholder Engagement in Compensation and Livelihoods Restoration Plan Process (US\$ 60,000): Local stakeholders have already perceived the impacts of the PIC through loss of land, and are currently participating in the land-for-land component of the Compensation and Livelihoods and Restoration Plan. The negotiation with local stakeholders involved in this process will benefit from an expert in community based conflict mediation and landholder negotiations. The TC will finance an expert consultant who will support the UTE in the implementation of the Plan by providing strategic guidance and assistance on-the-ground during the complex landholder negotiations process for those farmers formerly living in the area of the PIC.

Subcomponent 2.2: Stakeholder Engagement Plan Implementation (US\$ 75,000): The UTE has designed a Stakeholder Engagement Plan and the TC will finance a consultancy to provide capacity building in order to ensure effective implementation of

the Plan as well prioritize activities for local community outreach, develop standard procedures, records, and monitoring and evaluation of the grievance mechanism.

4.3. **Component 3: Dissemination and Administration (\$35,000):** The TC will promote private sector, multi-stakeholder initiatives and best practices following the implementation of the TC. This component will include: (i) an international dissemination event for donors and key stakeholders to discuss achievements and milestones achieved by the Technical Cooperation; (ii) resources for the TC supervision.

Subcomponent 3.1 Best Practices Dissemination Event US\$20,000: This subcomponent will finance a dissemination event will highlight the results of the TC in addressing social impacts of a large infrastructure project through active stakeholder engagement and private sector development, which will serve both the GoH and the Bank in the replication of such measures in future projects.

Subcomponent 3.2 Supervision US\$15,000: Due to high supervision costs in remote areas, consultants will be hired to conduct site visits.

Indicative Results Matrix

Component	Output	Result
Mitigating Social Impacts through Gender Equitable Private Sector Development	2 operational Business Plans developed	At least one Business Plan secures financing for implementation
Mitigating Social Impacts through Active Stakeholder Engagement	Design of stakeholder engagement priority activities	At least one priority activity implemented in local community
Best Practices Dissemination and Administration	International dissemination event held on private sector development as risk mitigation	Lessons learned disseminated among participants

Indicative Budget

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1	Mitigating Social Impacts through Gender Equitable Private Sector Development	135,000	--	135,000
1.1 Agricultural Transformation Business Plan	Business Plan designed for Agricultural Transformation	80,000	--	80,000
1.2 MTH-SPP Business Plan	Business Plan designed for MTH-SPP	55,000	--	55,000
Component 2	Mitigating Social Impacts through Active Stakeholder Engagement	135,000	--	135,000
2.1 Technical Expert to Support UTE in Community Based	Conflict management, grievance mechanism, stakeholder engagement	60,000	--	60,000

Mediation				
2.2 Technical Expert to Support UTE in Implementation of Stakeholder Engagement Plan	Stakeholder Engagement Organization and Participatory Planning Mechanisms	75,000	--	75,000
Component 3	Dissemination and Administration	35,000		35,000
3.1 International Dissemination Event	Event for donors and key stakeholders to discuss outcomes of Technical Cooperation	20,000	--	20,000
3.2 Supervision of TC	Throughout implementation	15,000	--	10,000
TOTAL		305,000		305,000

- 4.4. The supervision of the TC will be carried out by the Bank. Semi-annual technical visits will be held with the participation of the UTE. All consultant reports will be reviewed and approved by the Bank and UTE. The TC has an execution period of 24 months and a disbursement period of 30 months from the date of approval of the operation.

V. Executing agency and execution structure

- 5.1. The Beneficiary is the Government of Haiti.
- 5.2. At the request of the GoH, (per the letter of request from the Ministry of Economy and Finance which is currently being processed by the MEF), this TC will be executed by the Bank, through its Environmental Safeguards Unit (VPS/ESG).
- 5.3. This is an Operational Support TC focused on supporting the GoH in stakeholder engagement and local private sector development in the context of a large infrastructure project. Due to the need to contract highly qualified international consultants with agility, and prior experience of the Bank with executing TCs in Haiti, this TC will be Bank-executed. It will provide an opportunity to engage several Bank departments and divisions (private sector, urban development, safeguards) on such issues which will yield important knowledge for both the beneficiary and the Bank. The execution of this TC will also provide a learning, knowledge transfer and data gathering opportunity for Bank staff involved in issues of proactive mitigation measures in large-scale development projects.
- 5.4. For the selection and hiring of individual consultants, the project team will follow Bank procedures, as established by the Human Resources Division (HRD) per AM-650 Complementary Workforce Employees (CWEs). For the selection and hiring of consulting firms, the project team will follow the Bank's procedures for project-related contracting in the Policy for the Selection and Contracting of Consultants Financed by IDB (GN-2350-9) using the e-sourcing tool.

- 5.5. In accordance with Korea Poverty Reduction Fund procedures, the Project Team will prepare a Completion Report within six months of the date of completion of the operation.

VI. Major issues

- 6.1. **Risks and Mitigation.** Two potential risks have been identified, and will be mitigated through the actions described below:
- (i) Feasibility of the Business Plans. During the development of the two business plans, there is a risk that the proposed activities cannot be converted to a feasible business idea. This risk will be mitigated by close coordination with the team in charge of the Northern Economic Pole Business Accelerator Program (HA-L1068) to leverage all possible tools that may contribute to making the business plans feasible.
 - (ii) Active Stakeholder Engagement. Another potential risk is a low participation by the local population in the stakeholder engagement initiative, which could undermine the GoH-led process. This risk is mitigated by the: (i) contracting of only local Haitian consultants to support the UTE and work closely with them and; (ii) widespread engagement of civil society organizations and local leaders.

VII. Exceptions to Bank policy

- 7.1 There are no exceptions to Bank policy.

VIII. Environmental and Social Strategy

- 8.1 According to the results of the Environmental Safeguards Toolkit, this TC is classified as Category “C”.
- Safeguards Policy Filter ([IDBDOCS-#37690451-SPF HA-T1181](#))
 - Safeguards Screening Filter ([IDBDOCS-#37690460-SSF HA-T1181](#))

Required Annexes:

- I. Letter of Request from Beneficiary ([IDBDOCS-#37766647-Accord pour que la CT HA-T1181 soit géré par la BID0001](#))
- II. Terms of Reference ([IDBDOCS-#37767760-TORs HA-T1181 Annex 2](#))
- III. Procurement Plan ([IDBDOCS-#37717261-Procurement Plan HA-T1181 FINAL version](#))