

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**HAITI**

**PRODUCTIVE INFRASTRUCTURE PROGRAM V**

**(HA-L1143)**

**GRANT PROPOSAL**

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## CONTENTS

<b>PROJECT SUMMARY .....</b>	<b>1</b>
<b>I. DESCRIPTION AND RESULTS MONITORING.....</b>	<b>2</b>
A. Background, problem addressed, justification. ....	2
B. Objective, components, and cost.....	10
C. Key results indicators.....	13
<b>II. FINANCING STRUCTURE AND MAIN RISKS .....</b>	<b>15</b>
A. Financing instruments.....	15
B. Environmental and social safeguard risks .....	15
C. Fiduciary risk.....	17
D. Other key issues and risks.....	17
<b>III. IMPLEMENTATION AND MANAGEMENT PLAN .....</b>	<b>18</b>
A. Summary of implementation arrangements .....	18
B. Summary of arrangements for monitoring results .....	19
C. Significant design activities post-approval .....	20

ANNEXES	
Annex I	Summary Development Effectiveness Matrix (DEM)
Annex II	Results Framework
Annex III	Fiduciary Arrangements

REQUIRED ELECTRONIC LINKS (REL)	
REL#1	<a href="#">Pluriannual Execution Plan (PEP) &amp; Annual Operational Plan (AOP)</a>
REL#2	<a href="#">Monitoring and Evaluation Plan</a>
REL#3	<a href="#">Environmental and Social Management Report (ESMR)</a>
REL#4	<a href="#">Procurement Plan</a>

OPTIONAL ELECTRONIC LINKS (OEL)	
OEL#1	<a href="#">PIC 2020 Key Figures: Q4 2020 Report</a>
OEL#2	<a href="#">MEF-MCI Memorandum of Understanding</a>
OEL#3	<a href="#">Proposal for a New Transportation System</a>
OEL#4	<a href="#">Strategic Analysis for PIC Development</a>
OEL#5	<a href="#">Gender Diagnostic</a>
OEL#6	<a href="#">Development of a Human Capital Strategy for the PIC</a>
OEL#7	<a href="#">Climate Contribution</a>
OEL#8	<a href="#">Guidelines for the PIC's Gender Action Plan 2021-2025</a>
OEL#9	<a href="#">Financial Analysis</a>
OEL#10	<a href="#">Summary of Specific Implementation Arrangements for Component III</a>
OEL#11	<a href="#">Analysis of Project Cost and Economic Viability</a>
OEL#12	<a href="#">Program Operation Manual</a>
OEL#13	<a href="#">Environmental and Social Liabilities Summary</a>

ABBREVIATIONS	
AOP	Annual Operational Plan
CC	Climate Change
EA	Executing Agency
ESHS	Environmental, Social, Health and Safety
ESMR	Environmental and Social Management Report
FDI	Foreign Direct Investment
FY	Fiscal Year
GDP	Gross Domestic Product
GOH	Government of Haiti
HTG	Haitian Gourde
IDB	Inter-American Development Bank
MEF	Ministry of Economy and Finance
MW	Megawatt
OII	Office of Institutional Integrity
PACI	Platform for the Analysis of the Institutional Capacity
PEP	Pluriannual Execution Plan
PIC	Caracol Industrial Park
PwD	Persons with Disabilities
POM	Program Operation Manual
SGBV	Sexual and Gender-Based Violence
SONAPI	National Society of Industrial Parks
Sqm	Square Meter
SPP	Solar Power Plant
SW	Solid Waste
SWM	Solid Waste Management
TEP	Thermal Power Plant
USAID	United States Agency for International Development
US-DOS	United States Department of State
UTE	Technical Execution Unit - MEF

**PROJECT SUMMARY**  
**HAITI**  
**PRODUCTIVE INFRASTRUCTURE PROGRAM V**  
**(HA-L1143)**

Financial Terms and Conditions					
Beneficiary: Republic of Haiti			Amortization Period:		N/A
			Disbursement Period:		5 years
Executing Agencies (EA): Ministry of Economy and Finance (MEF) through its Technical Execution Unit (UTE).			Grace Period:		N/A
			Supervision and Inspection Fee:		N/A
			Interest rate:		N/A
Source	Amount (US\$)	%	Credit Fee:		N/A
			Weighted Average Life:		N/A
IDB (IDB Grant Facility):	65,000,000	100	Currency of Approval:		Dollars of the United States of America
Total:	65,000,000	100			
Project at a Glance					
Project Objective/Description: The general objective is to contribute to the sustainable economic development of Northern Haiti by creating jobs in the region through the provision of the necessary conditions for the establishment and expansion of firms in the <i>Parc Industriel de Caracol</i> (PIC). The specific objectives are: (i) to improve the management of the PIC in a sustainable manner and in line with international standards; (ii) to expand infrastructure to meet growing demand trough climate-resilient and eco-efficient buildings; and (iii) to improve labor-force readiness by fostering skills development to match PIC tenants needs, and to foster a safe and inclusive working environment.					
Special contractual clauses prior to the first disbursement: The Beneficiary will provide evidence to the satisfaction of the Bank of: (i) the entry into force of the Program Operation Manual (POM) pursuant to the terms previously agreed upon with the Bank; (ii) the selection or designation of the program’s key personnel, including a project coordinator, a monitoring and evaluation analyst, a procurement specialist, a financial specialist, an environmental specialist, and a social specialist; and, (iii) the selection or designation of PIC leading managing figures including a Director and a Technical Director with the profiles and technical skills detailed in the POM (¶3.23.3). See additional special contractual conditions in Annex B of the ESMR (REL#3).					
Exceptions to Bank Policies: None.					
Strategic Alignment					
Challenges <sup>(a)</sup> :	SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>		EI <input checked="" type="checkbox"/>
Cross-Cutting Issues <sup>(b)</sup> :	GE <input checked="" type="checkbox"/>	and DI <input type="checkbox"/>	CC <input checked="" type="checkbox"/>	and ES <input checked="" type="checkbox"/>	IC <input checked="" type="checkbox"/>
<sup>(a)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).					
<sup>(b)</sup> GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).					

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, justification.

- 1.1 **Socio economic context.** Haiti has an estimated population of 11.4 million inhabitants, of whom 1.9 million live in the north and northeast departments, the fastest-growing region in the country.<sup>1</sup> In 2019, Haiti's Gross Domestic Product (GDP) per capita was estimated to be \$1,272<sup>2</sup> and its Human Development Index ranking of 170 out of 189 countries<sup>3</sup>. 59% of the population lives under the national poverty line of US\$2.44 per day, and 24% on less than US\$1.24 per day.<sup>4</sup> Haiti is also characterized by inequality, with a Gini coefficient of 59.2 and a Gender Inequality Index of 0.620 in 2018, placing the country as number 169 out of 190 surveyed countries. In addition, Haiti ranks one of the most vulnerable country in the region to Climate Change (CC)<sup>5</sup> adding to underlying development challenges due to decreased economic output and increased food and water insecurity.<sup>6</sup> Haiti's economy has deteriorated since mid-2018 due to sociopolitical challenges and the COVID-19 pandemic. Estimations for Fiscal Year (FY) 2020 show an economic contraction of 3.7% (following a 1.7% contraction in FY2019) and inflation of over 20%. The fiscal deficit remained fairly stable, at 2.3% GDP. The government expects some economic recovery, with a real GDP increase of 1% in Fiscal Year 2021, but a worse fiscal outlook with a fiscal deficit of 3% of GDP. The country's current export revenues continue to be insufficient to cover imports. In FY2019, Haiti exported an estimated US\$1.2 billion and imported about US\$4.2 billion. The garments sector accounts for 94.3% of exports<sup>7</sup> by value. The active workforce is estimated at 5.1 million people<sup>8</sup> (of which 66% are in the agricultural sector, 9% in the industrial and manufacturing sectors, and 25% in the service sector). In the external sector, the pandemic resulted in a drop in exports and Foreign Direct Investment (FDI), which were offset by lower imports and higher remittances. While the gourde experienced a strong but brief appreciation (62.5 HTG/USD in November 2020), it is back at 100 HTG/USD.
- 1.2 The country needs to address several structural challenges to promote a more inclusive growth and attain long-term development goals, including jobs creation and poverty alleviation. This requires high levels of investment, particularly from the private sector to increase manufacturing and export capacity and increase value added. The August 14, 2021 earthquake strongly impacted Haiti's Southern region (7.2 magnitude). As of August 21, 2,207 casualties were reported, 344 people missing, 52,953 homes destroyed, and 77,006 homes damaged.

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<sup>1</sup> ECLAC/UN, 2020.

<sup>2</sup> Institut National de Statistiques et d'Informatique, 2020.

<sup>3</sup> UNDP, 2020.

<sup>4</sup> Data from IMF (2021) and ECVMAS (2012).

<sup>5</sup> CAF, 2014 Índice de vulnerabilidad y adaptación al CC en la región de América Latina y el Caribe <https://scioteca.caf.com/handle/123456789/517>.

<sup>6</sup> USAID, 2017. Climate Risk Profile, Haiti. [https://www.climate-links.org/sites/default/files/asset/document/2017\\_Cadmus\\_Climate-Risk-Profile\\_Haiti.pdf](https://www.climate-links.org/sites/default/files/asset/document/2017_Cadmus_Climate-Risk-Profile_Haiti.pdf).

<sup>7</sup> 82.9% to USA.

<sup>8</sup> International Labor Organization, 2019.

A Post Disaster Need Assessment was launched by the GOH on August 30<sup>th</sup> but, it did not impact the Northern Region of Haiti nor Caracol Industrial Park.

- 1.3 **The Caracol Industrial Park (PIC).** More than ten year ago, after the January 12<sup>th</sup>, 2010 earthquake, one of the Government of Haiti's (GOH) top priorities included in *Haiti's National Recovery Action Plan*<sup>9</sup> was to improve balanced regional development, creating economic centers outside the capital to bring jobs to less developed regions, such as the Northern and Northeast departments. The PIC is the result of an agreement between the GOH, the United States Department of State (USDOS), and the Bank, to establish an industrial park at the core of the northern region. It is a mixed-use light manufacturing industrial free zone in the commune of Caracol, among the largest and most modern in the Caribbean. Owned by the GOH, the PIC seeks to address key obstacles for both domestic and foreign private investment by providing: (i) a modern infrastructure and manufacturing facilities for firms to locate; (ii) reliable utilities (water, sanitation, and electricity); (iii) a logistics support and safe road access for importing and exporting activities; and (iv) a secure, professionally managed, operated, and well-maintained industrial park. The HOPE law, by giving duty free access to knit products, promotes the export of garments products from Haiti to the United States.
- 1.4 Opened in 2012, the PIC counts today with six tenants<sup>10</sup>, a 189,000 m<sup>2</sup> built area, 117,000 m<sup>2</sup> of industrial space, an occupancy rate of 95%, and it is the largest employer in Northern Haiti with over 15,000 workers<sup>11</sup> (59.8% women). PIC exports and domestic sales have continuously increased from 2012 and were valued at US\$196 million for 2020. Total payroll for 2020 totalized US\$33.3 million ([OEL#1](#)). It is served by a transportation fleet that carries almost 11,000 people to work each day, and hosts facilities capable of producing and delivering potable water and electricity, as well as wastewater treatment. Energy needs are met by a 10MW Thermal Power Plant (TEP) funded by the United States Agency for International Development (USAID), which not only provides electricity for the PIC but also for 14,000 customers in surrounding municipalities. By 2022, energy production will be complemented by an 8MWh Solar Photovoltaic Power Plant (SPP), that will meet hurricane resilience standards and will provide electricity to the PIC (financed through 4900/GR-HA) and a 4 MW SPP dedicated to PIC's surrounding communities (co-financing from USAID, GRT/CF-17708-HA). PIC's electricity tariff is expected to be reduced from approximately US\$0.30/kWh<sup>12</sup> to US\$ 0.16/kWh, a more sustainable and competitive tariff<sup>13</sup>.
- 1.5 **PIC Management challenges.** Despite its success in job creation and income generation, PIC management must improve, if PIC is to achieve sustainability. PIC has to improve the quality and efficiency of the services it provides to tenants

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<sup>9</sup> *Action Plan for National Recovery and Development of Haiti* (March 2010); *Plan d'Aménagement du Nord/Nord-Est* (December 2012).

<sup>10</sup> Tenants' industries currently include apparel, paints, services, and sisal.

<sup>11</sup> 15,324 workers as of December 31st, 2020.

<sup>12</sup> With Capital Expenses for the TEP and transportation and distribution infrastructure absorbed by a USAID grant and at variable costs (around 0.14 US\$/kWh), the PIC committed a competitive energy tariff of 0.16 US\$/kWh to its tenants. However, the cost structure changed radically when the TEP started serving consumers outside the PIC, due to commercial losses and investment in additional infrastructure to be covered from the operational budget.

<sup>13</sup> The industrial tariff in Dominican Republic is 0.18 US\$/kWh.

(roads, water and sanitation, solid waste management) to attract new investments from tenants with higher value-added components. As underlined in the Bank's flagship publication, [DIA 2020 "From structures to services"](#), quality and efficient services (such as roads, water, sanitation, solid waste, and energy), are essential to contribute to economic growth and job creation.

- 1.6 From 2014 to 2019, the PIC was managed by the *Société Nationale des Parcs Industriels* (SONAPI), Haiti's official manager of all industrial parks in the country and established as a national public agency with administrative and financial autonomy.<sup>14</sup> However, SONAPI's poor performance at managing the PIC hindered the adoption of international standards for planning and risks purposes.
- 1.7 In 2019, the latest Bank operation for the PIC (3384/GR-HA) was cancelled due to the lack of improvement in a number of conditions related to Environmental, Social, Health and Safety (ESHS) requirements that were directly affecting the management and operation of the PIC, specifically: (i) Solid Waste Management (SWM) was characterized by inadequate storage, collection, transport, recovery and disposal practices and facilities for the non-hazardous waste, and lacked of a proper hazardous waste storage warehouse; (ii) the transport system of the Sae-A's workers<sup>15</sup> lacked a proper management and was unsafe; (iii) the water distributed was heavily colored and required a treatment to reduce the iron and manganese ions; (iv) the food vendor system was not appropriate; (v) there was no site maintenance plan; (vi) emergency responses were not conceived in an integral manner; (vii) PIC management did not ensure all entities operating in the park, follow the rules and regulations, resulting in non-compliance with some safety, health and labor items of both international normative framework and Haitian Labor Law; (viii) lack of integrated training plan for workers;<sup>16</sup> and (ix) the security needed to be enhanced.
- 1.8 As a response, the GOH transferred the responsibility of PIC management to the Technical Execution Unit of the Ministry of Economy and Finance (UTE).<sup>17</sup> UTE has extensive experience with the PIC since it has been the Executing Agency (EA), in charge of construction and of management during the PIC's first two years of operation (2012-2014). UTE has been tasked with completing the corrective action plan of PIC management and safeguards issues, building additional factories, and operating the park to turn it into a modern and efficiently managed industrial park. In February 2021, its mandate was extended for an additional five-year period ([OEL#2](#)).
- 1.9 UTE's 2019 corrective action plan has received Bank's support<sup>18</sup> and included the reorganization of the management team at the park, rationalization of human resources, restructuring of financial management, rehabilitation of fencing and lighting, technical evaluation of building repair needs, efforts to regain control of the transport system, independent evaluation of the wastewater treatment plant,

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<sup>14</sup> Law establishing and regulating the fenced areas known as Industrial Parks, "Le Moniteur" No. 77, September 26<sup>th</sup>, 1974, pp. 549-551.

<sup>15</sup> Sae-A's transport system is managed by UTE whereas the other tenants have mobilized private operators.

<sup>16</sup> Adam, C. Cahn, D. Improving the ability of PIC tenants to meet requirements of the Haitian Labor Code and the needs of stakeholders. June 2015.

<sup>17</sup> *Protocole d'accord entre le MEF et le Ministère du Commerce et de l'Industrie déléguant à l'UTE les compétences d'aménagement et de gestion du PIC*, 5 juillet 2019.

<sup>18</sup> 2779/GR-HA.



and selection of a supplier for the installation of a water treatment plant. Moreover, a specific action plan was agreed with UTE in March 2020 to resolve main ESHS issues ([REL#3](#)). UTE has also improved dialogue with the tenants and PIC stakeholders based on close relationships and transparency.<sup>19</sup>

- 1.10 During FY2020, UTE made the PIC's financials transparent and registered an operational expenditures surplus of US\$1.8 million (not considering amortization costs), although the sudden HTG appreciation caused some negative impact ([¶1.11.2](#)). It is expected that the expansion of the PIC will further improve the park's profitability, so that an autonomous entity or the private sector can manage the park, once pending environmental and social problems are solved.
- 1.11 Some of the services offered by the PIC still need to be improved to meet international standards, as underlined by the recent [environmental and social audit](#). Drinking water quality is still characterized by the presence of iron and manganese. Regarding wastewater, the independent evaluation in progress will assess the conformity of the service provided. In relation with PIC SWM, UTE had to find a solution to the mismanagement of the temporary waste disposal site in Madras. An improved design was developed to ensure proper operation of the facility and guarantee an operational life of about two or three years (based on current demand), while waiting for the new landfill of Mouchinette to be operational by 2023. The design has led to a bidding process and works will be funded by the SWM program for the Northern Region (4605/GR-HA).<sup>20</sup> In order to avoid the inclusion of organic waste in the Madras site, and to make progress towards recycling and circular economy practices, the design and construction of a small composting plant should be contemplated. Regarding hazardous waste, the PIC does not count with any hazardous waste storage warehouse. UTE will construct and operate a hazardous waste storage warehouse based on the design and operation plan already conceived. In relation with collection services inside the PIC, contracts between SW generators (including all the tenants) and collection services providers do not always respect the acceptable environmental and safety PIC procedures.
- 1.12 As per Haitian law, the transportation of workers to and from the PIC is the responsibility of each tenant. Despite UTE efforts to better regulate the SAE-A workers' transportation system, it must improve. Buses are poorly maintained, overloaded, and the level of comfort and safety for workers is low. There is a need to change the management model ([OEL#3](#)) and, in the mid-term, outsource the transportation service to private operators, while increasing its capacity.
- 1.13 Access to health care for PIC workers is ensured by the presence of an OFATMA (Office of Occupational Accident Insurance, Sickness and Maternity) health center inside the PIC and a sub-equipped center at Caracol.
- 1.14 **Increasing demand.** In 2020, the pandemic affected the global apparel supply chain. In Haiti, the government-mandated shutdown took a toll on the business and at least three apparel export companies in Port-au-Prince shutdown. However,

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<sup>19</sup> Stakeholders' committees were held on February, December 2020, and April 2021 with the participation of US State Department, USAID, IDB, tenants, Haitian Presidency and MEF.

<sup>20</sup> Considering the emergency of Madras intervention, this program, when eligible, will pay for one of the activities planned in the SWM program for an equivalent amount.

the PIC's careful vetting and client selection process paid off and operations resumed seamlessly with government permission in July 2020. Tenants in the PIC increased their workforce and hired more workers ([OEL#4](#)). Current PIC tenants<sup>21</sup> have confirmed demand for additional factories that entail (i) the creation of 6,000 additional formal jobs, and (ii) increasing private investment and regional exports. One of the tenants, MAS Akansyel, is planning to establish a textile knitting and dyeing operation in Haiti. This represents a historic and game changing milestone for the Haitian apparel sector, substantially increasing the value-added component of Haitian apparel, and thus deepening the regional value chain. An additional challenge is to promote local and innovative entrepreneurship, while diversifying PIC activities.

- 1.15 **Climate Change.** Haiti is the most vulnerable country in the region to CC. Among its climate projections it has a 0.78-2.16°C increase in average temperature; decrease in dry season precipitation and lengthening of draught season; and a 5-10% in surge storm strength in 2050.<sup>22</sup> All of this has consequences for the Haitian population and economy, including: (i) decreased water availability due to saltwater intrusion into aquifers, (ii) potential damage to infrastructure, and (iii) added pressure on institutions. In terms of the specific location of the PIC, exposure to CC is magnified by the erosion of the Trou du Nord riverbed and basin, that led to PIC itself being flooded in 2016, highlighting the importance of adaptation measures. In addition, EHS audits have shown that 47% of water produced at the PIC is unaccounted<sup>23</sup> creating opportunities for water efficiency and security improvements. Finally, capacities in the country regarding green building and mitigation strategies in industrial complexes are very low, providing opportunities to test ecoefficiency concepts and certifications at the PIC. As requested by the Bank, PIC factories were designed and built to ensure their resilience to cyclones, earthquakes, and floods, as witnessed during the extreme rains of November 2016 that caused flooding in the entire region, without damaging the PIC buildings, nor to the tenants' products. This project offers the opportunity to showcase how to reduce greenhouse gas emissions in buildings.
- 1.16 **Gender and diversity.** While women make up 58.4% of PIC garment employees, they represent less than 15% of supervisors, reflecting limited opportunities for promotion and lack of capacity building in supervisory and leadership skills for women. Additionally, the PIC's Environmental and Social Management Report ([ESMR](#)), showed that women are experiencing violence and sexual harassment in the workplace and along PIC-managed transport routes.<sup>24</sup> Training and awareness raising on gender-based violence and sexual harassment has been inconsistent at the PIC, which also lacks adequate personnel and efficient reporting mechanisms to deal with Sexual and Gender-Based Violence (SGBV) and represents a breach of the labor codes. Additional breaches regarding the adaptation of infrastructure such as lactation rooms for working mothers have also been found ([OEL#5](#)). Infrastructure adaptation is also needed for Persons with

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<sup>21</sup> SAE-A and Mas Arkansyel. In the case of SAE-A, they are waiting for additional buildings since 2015 due to HA-L1101 cancellation.

<sup>22</sup> USAID, 2017. Climate Risk Profile, Haiti.  
[https://www.climatelinks.org/sites/default/files/asset/document/2017\\_Cadmus\\_Climate-Risk-Profile\\_Haiti.pdf](https://www.climatelinks.org/sites/default/files/asset/document/2017_Cadmus_Climate-Risk-Profile_Haiti.pdf)

<sup>23</sup> including technical and commercial losses.

<sup>24</sup> In the buses and at the bus stops.

Disabilities (PwD), who represent approximately 15% of the Haitian population. This number increased drastically as a result of the 2010 earthquake.<sup>25</sup>

**1.17 Human capital challenges.** The PIC faces important human capital challenges. First, there is a skills gap between the demand and supply of labor. Although, there is no shortage of candidates, most of the available workforce has low qualifications, low basic skills (e.g., reading comprehension, writing, and numeracy), no previous experience in formal employment and low understanding of what a formal work environment is.<sup>26</sup> Additionally, contract rotation systems due to demand variability in production contributes to generate a level of staff turnover of 20%.<sup>27</sup> Second, the supply of training courses on basic, soft, and employability skills for current workers at the PIC is low, which reduces the chances of improving labor and productivity outcomes.<sup>28</sup> For instance, only 13% of current workers are expected to be offered this type of training up to 2022. Third, skills deficits and training constraints have also affected local workers' chances of career progression. First level supervisors are mostly foreigners, while only 7% of line managers and quality supervisors are Haitians. Employers who identify local staff with potential for developing into supervisory roles report difficulties with identifying training providers. Training is usually offered by foreign supervisors, who face time constraints, restricting tenant's ability to support the development of local talent with leadership potential. Training improves labor outcomes, by improving the matching between the demand and the supply of skills, and boosts productivity. When skills shortage is a barrier to employment, training programs can be effective, especially among young people. Evaluations in LAC shows that some effects persist in the long run. Currently, training initiatives at the PIC do not incorporate key features identified in international best practices<sup>29</sup>, as it shows: (i) lack of continuous identification of skill requirements and subsequent adaptation of training offer by local providers; (ii) absence of high quality training providers that offer international training standards adopted by the textile sector; (iii) limited use of international training standards adopted by the textile sector, (iv) limited training in soft skills, in addition to technical skills; (v) an ineffective system for attracting, recruiting, and placing workers; (vi) no financial assistance to facilitate participation in training; and (vii) inexistence of monitoring and evaluation mechanisms. Prior PIC operations did not incorporate support for the development of human capital of the local population. This program is proposing a human capital development strategy for the PIC ([OEL#6](#)).

**1.18 Proposed intervention.** The main strategy of this grant is to establish the infrastructural and operational basis needed for the PIC to become a successful industrial park in the Caribbean, by attracting investments and reaching self-sustaining status. This new operation will bring the Bank's total investment in the PIC to US\$263.5 million fulfilling the original commitment of financing the

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<sup>25</sup> FOCAL, 2011. Reconstruction and persons with disabilities in Haiti.

<sup>26</sup> PIC employers reported that 18% of their employees are not fully competent to perform their jobs. The proportion is higher for certain occupations: machine operators, assemblers, and transport operators (40%); construction, handicrafts, electricity, and telecommunications workers (30%); and technical professionals (30%). According to them, workers lack cognitive (reading, writing, numeracy, language, digital) and non-cognitive (e.g., problem-solving, emotional stability) skills (LSIPCS, 2020).

<sup>27</sup> Turnover rate estimated as proportion of workers employed for less than one year (LSIPCS, 2020).

<sup>28</sup> Most training is offered to relatively high skilled employees (LSIPCS, 2020).

<sup>29</sup> Only one tenant offers formal training process based on international standards, but the offer is limited, leading to a rate of approximately 2,000 employees per trainer (Richard, 2021).

infrastructure needed for the park to create 20,000 jobs. By 2026, following the end of disbursements from this Bank's operation, the PIC is expected to be the largest industrial park in Haiti and to be self-sustaining and employing approximately 22,000 full-time workers.

- 1.19 **Bank's Experience and Lessons learned.** Since 2011, the Bank has fully supported the creation of the PIC. A total of US\$256.8 million dollars were approved of which US\$207.93 million were disbursed. These previous operations have showed that the management of the PIC needs to be professional, transparent, and enforceable. A monitoring system, with a specialized team empowered to implement ESHS aspects is key. The present operation includes specific activities to: (i) strengthen PIC management by UTE, (ii) promote the transfer of the management to a professional and independent private or mixed entity (¶1.32), and (iii) consolidate a ESHS monitoring system. These lessons will be incorporated in activities of Component I.

**Table I-1 Previous operations supporting the PIC (IDB grants and cofinancing)  
in US\$ millions**

Project #	Operation Title	Approval date	Amount approved	Amount disbursed <sup>30</sup>	Status
2552/GR-HA	Infrastructure program	2011	55.0	55.0	closed
2779/GR-HA	Productive infrastructure program (PIP)	2012	50.0	49.5	closure process
3132/GR-HA	PIP II	2013	40.5	40.0	closed
3384/GR-HA	PIP III	2014	55.0	52.08	closed
3623/GR-HA	PIP IV	2015	41.0	0	canceled
GRT/HR-15509-HA	PIP III (USG Cofinancing)	2016	15.3	11.35	closed
<b>Total</b>			<b>256.8</b>	<b>207.93</b>	

- 1.20 In the case of gender, the Ciudad Mujer Project in El Salvador (2525/OC-ES) showed that awareness training on gender-based violence lowers its occurrence.<sup>31</sup> In the case of training, evidence from other Bank interventions (2546/OC-DR, 2365/BL-BO, 2793/OC-CH, 3136/OC-ME) shows the steps to improve access of the vulnerable population: (i) identify barriers to participation; (ii) finance training and provide complementary economic support; (iii) include employers' participation; (iv) design high quality and relevant courses; and (v) implement monitoring and evaluation mechanisms for continuous improvements.<sup>32</sup> These lessons will be incorporated in the training activities of Component III.
- 1.21 **Coordination with other projects and donors.** This operation is one of several Bank's operations in the Northern region. It is complemented by operation "Improving Electricity Access in Haiti" (4900/GR-HA and GRT/CF-17708-HA), approved in November 2019, which includes a component for installing solar energy at the PIC, thus providing clean energy at lower costs. Waste management

<sup>30</sup> The differences between amounts approved and amounts disbursed correspond to (i) amounts returned to the Bank because not well justified or (ii) amount not disbursed on time.

<sup>31</sup> [PCR](#) (ES-L1056/2525/OC-ES).

<sup>32</sup> GN-2741-9.

at the PIC will also benefit from SW project in execution (4605/GR-HA). Also, this program will be developed in coordination with 4882/GR-HA project, approved in 2019, to support private sector development through investment promotion, which aims to strengthen the Investment Facilitation Center (CFI) to attract private investments in the country and especially in the North. There is also a coordination with BID Lab to identify potential projects to support the development of local services providers inside the PIC (food system, SW circular economy) and promote local entrepreneurship. The construction of a new 5,000 m<sup>2</sup> building with this new operation is aimed at diversifying the activities and more specially promote innovative local entrepreneurship. The Bank is coordinating the implementation of this new project with other donors through the private sector coordination lead by the MEF and especially with USAID<sup>33</sup> and the USDOS, as a main partner of PIC project since its creation.

- 1.22 **Innovation and digitalization.** To close the gap between the demand and supply of labor due to current workers and prospective employees having low qualifications, low basic, socioemotional and employability skills, no previous experience in formal employment and low understanding of what a formal work environment is, the project will implement an innovative (never offered before in the PIC or any other park in Haiti) training module on basic, soft, and employability skills for prospective and current workers and the use of innovative digital technologies for the design, development, and implementation of a technological platform for managing, monitoring, and evaluating PIC Talent Pipeline.
- 1.23 **Government and Bank strategy with the country.** The program is consistent with the Action Plan for National Recovery and Development of the Government of Haiti (2010), in particular with its priorities of employment generation and environmental protection. It is also consistent with [Haiti Economic Recovery Plan post COVID](#) (2021-2023). In its pillar 1, (diversification and structural transformation of the economy), for the manufacturing sector, this strategy aims to improve services and infrastructure in industrial parks and special economic zones. The proposed program is also consistent with the IDB's Country Strategy (CS) in Haiti (2017-2021) (GN-2904), through the emphasis in promoting private sector investment and contributing to the development of Haiti's Northern region (§1.1 and §3.1 of the CS). It is also included in the 2021 Operational Program Report ([GN-3034](#)). The program further promotes the dialogue with the GOH on supporting the continuous development of the PIC and its sustainable management.
- 1.24 **Strategic alignment.** The program is consistent with the Bank's Second Updated Institutional Strategy (UIS) 2020-2024 (AB-3190-2) and is aligned with the development challenges of: (i) Social Inclusion and Equality, since the project targets vulnerable individuals and promotes equal access to better job opportunities as it supports Haitians in general, and women in particular, who have lower probability of being employed in supervisory roles; (ii) Productivity and innovation by training courses on basic, soft, and employability skills for workers at the PIC and promoting the use of innovative technologies for digitalization in the implementation of the technological platform of the PIC Talent Pipeline. It is also

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<sup>33</sup> Since its creation, USAID has provided a financial support to PIC for a total amount of US\$28.8M, including US\$23.3M for thermic plant and US\$6.5M for a solar plant.



aligned with the cross-cutting themes: (i) Gender Equality by promoting women's economic opportunities through opportunities for promotion to leadership positions, as well as fostering safety in the workplace through capacity building and infrastructure adaptations that encourage inclusive and safe work environments; (ii) CC and Environmental Sustainability with specific measures that include improvements in wastewater treatment, training in waste and energy reduction strategies and PIC services. According to the [joint methodology of the Multilateral Development Banks](#) approach on climate finance tracking<sup>34</sup>, 69.27% of the total funding for this operation will contribute to climate mitigation and adaptation activities, exceeding IDBG's climate finance goal of 30%. For the first time in Haiti, the Excellence in Design for Greater Efficiency (EDGE) program will be used.<sup>35</sup> ([OEL#7](#)), and (iii) Institutional Capacity and the Rule of Law by providing technical assistance to MEF to put in place a professional entity to manage the PIC, updating the ESHS monitoring and evaluation system, update PIC rules and regulations, as well as trainings on ESHS aspects and gender issues. The project will contribute to the Corporate Results Framework 2020-2023 (GN-2727-12) through the indicators "Beneficiaries of employment support initiatives", "Women beneficiaries of economic empowerment initiatives", "Jobs supported" and "Agencies with strengthened digital technology and managerial capacity". Finally, it is consistent with the Labor Sector Framework Document (GN-2741-9), with the dimension for success "promote successful career paths while simultaneously enhancing productivity and social inclusion" as well as Skills Development Sector Framework (GN-3012-3), with line of action "strengthen quality and relevance assurance mechanism". The project is consistent with the Update to the Gender Action Plan 2020-2021 (GN-2531-19) due to its emphasis on fostering women's economic opportunities, human capital development, leadership and participation, and prevention of SGBV.

## **B. Objective, components, and cost.**

- 1.25 **Project Objective.** The general objective is to contribute to the sustainable economic development of Northern Haiti by creating jobs in the region through the provision of the necessary conditions for the establishment and expansion of firms in the PIC. The specific objectives for this operation will be: (i) to improve the management of the PIC in a sustainable manner and in line with international standards; (ii) to expand infrastructure to meet growing demand through climate-resilient and eco-efficient buildings; and (iii) to improve labor force readiness by fostering skills development to match PIC tenants needs, and to foster a safe and inclusive working environment.
- 1.26 **Component I. A PIC Sustainable and Modern Management (US\$3.5 million).** The objective for this component is to fund activities to modernize the PIC's management and services to its tenants while bringing it to the international safeguards' standards. It will include: (i) technical assistance to MEF to put in place a professional entity with sufficient autonomy to manage the PIC (¶1.32) (ii) technical assistance to ESHS team for updating the socio environmental management system (monitoring and evaluation); (iii) technical assistance to improve and/or update PIC policies and procedures for grievance mechanisms,

<sup>34</sup> <https://idbinvest.org/en/publications/2020-joint-mdb-report-climate-finance>.

<sup>35</sup> The program is including the most cost-effective ways to reduce energy-use, water use, and embodied energy in materials, using Edge to design, verify, and certify the investments in buildings.

communication plan, and stakeholder's engagement, (iv) trainings for PIC management personnel on ESHS aspects (transportation, SWM, first aid, natural disaster, etc.), (v) training for PIC tenants workers, supervisors, and management employees on gender matters<sup>36</sup>, (vi) implementation of the gender-sensitive regulatory framework and grievance mechanisms outlined in the guidelines for the gender action plan for the PIC; (vii) elaboration and implementation of specific sector plans related to PIC services management (water production, treatment, distribution and maintenance; wastewater treatment; solid and hazardous waste management; transportation; and, food vending system) for their improvement<sup>37</sup>, and (viii) a funding gap to cover the PIC's operational deficit for one year until full cost recovery is achieved.<sup>38</sup>

- 1.27 **Component II. Infrastructure Provision in the PIC (US\$56.6 million).** This component will fund the further expansion of the PIC to respond to the current tenants' additional demand and foster innovation and local entrepreneurship. It will include: (i) four large factory buildings (11,776 m<sup>2</sup> each<sup>39</sup>). Entry to factory buildings will integrate an architectural design sensitive to the needs of PwDs, (ii) one industrial warehouse, (iii) one boiler room; (iv) one industrial building for new local tenants (5,000 m<sup>2</sup>); (v) expansion of networks (internal roads, potable and industrial water, drainage, sewerage and electricity networks); (vi) construction of two new canteens and rehabilitation of four existing ones; (vii) expansion of bus fleet, (viii) construction of compost facility and hazardous waste storage warehouse; (ix) construction of potable and industrial water treatment plant; (x) construction of an adequate solution for reception of pretreated sludges (dewatered, non-hazardous) from industrial wastewater produced; (xi) flood prevention works of the Trou-du-Nord riverbank at its crossing of the PIC, (xii) supervision of civil works, (xiii) acquisition of a firetruck, (xiv) adequation of physical spaces to address the needs of female workers, including a fully-equipped lactation room and, (xv) equipment of a health center localized at the entrance of the PIC. Investments described in items (i), (ii), (iv) and (vi) will meet EDGE<sup>40</sup>. certification Version 3.0, as validated in the bidding documents and through project supervision.<sup>41</sup> The PIC Master Plan (Figure 1) shows: (i) in red the existing PIC infrastructures and (ii) in green those that will be built with funds from the present grant.

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<sup>36</sup> These trainings will focus on violence prevention for all workers, with specific sessions for PIC management on unconscious bias and promotion of women's leadership opportunities.

<sup>37</sup> UTE or the new entity in charge of the PIC will operate water services, wastewater treatment plant, compost facility and hazardous storage facility, whereas transportation (except for SAE workers), food vending system and solid waste collection, transportation, and final disposal will be operated by private operators.

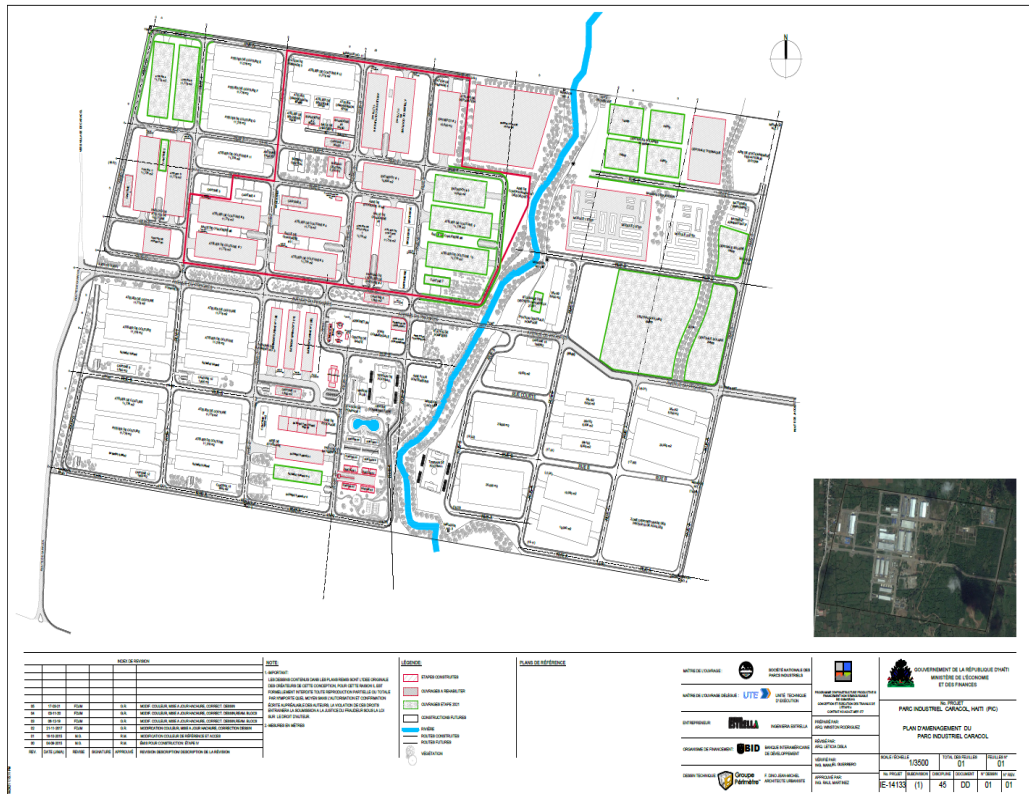
<sup>38</sup> According to the financial analysis, and applying the pessimistic scenario, PIC could present an operating deficit during the first year ([OEL#9](#)).

<sup>39</sup> These buildings have been designed to be earthquake and flood-resistant, given Northern Haiti's vulnerability to these natural hazards. Each building can accommodate 1,350 employees. In line with the [DIA 2020](#), which states: "Investments in resilience made before disaster strikes reduce damages to infrastructure assets and minimize disruptions to infrastructure services, preventing widespread economic losses to people and firms".

<sup>40</sup> Excellence in Design for Greater Efficiencies. More information available at <https://edgebuildings.com/about/about-edge/>

<sup>41</sup> Including 20% reduction in water and energy consumption and 20% reduction in energy intensity of materials.

Figure 1. PIC Master Plan



- 1.28 **Component III. Empowering Employees and Enhancing Occupational Mobility (US\$2 million).** This component will improve skills and employability of future and current employees of the PIC.<sup>42</sup> It will support three types of activities<sup>43</sup>: (i) recruiting, training, and intermediation of 2,500 jobseekers to increase employability; (ii) coaching those that train on socio-emotional skills for 40 current PIC employees; and (iii) training on supervisory skills for 600 current and new PIC employees, of which 240 will be women. This component will finance: (i) tenants' skills needs assessments and barriers for identified training for new hires and current employees; (ii) relevant curricula for training based on tenants' skills needs assessments and learning pathways developed; (iii) technical assistance to identify quality accredited training and courses demanded by tenants; (iv) training fees; (v) stipends for supporting beneficiaries (meals, insurance, childcare services, and transportation of beneficiaries); (vi) electronic payments fees; (vii) training provider administration fees to support beneficiaries during training; (viii) design, development, and implementation of the technological platform of the PIC Talent Pipeline<sup>44</sup>; and (ix) referrals of trained jobseekers to vacancies on PIC tenants. Gender equality will be mainstreamed in the training development activities by carrying out: (i) a diagnostic assessment on worker's

<sup>42</sup> The main objective is employability of new and current workers through the development of Talent Pipeline (TP) for employers at the PIC. The way to guarantee the success of the TP is by ensuring the buy in and involvement of the tenants from the design of the intervention up to the transition of the new hire into plant floor (Richard, 2021).

<sup>43</sup> Eligible beneficiaries specified in [OEL#10](#).

<sup>44</sup> Investments in digitalization and automation have the potential of improving the efficiency of service delivery ([DIA 2020](#)).



skills and barriers to advancement with a focus on women; and the (ii) design and implementation training curriculum that includes prevention of sexual harassment and gender discrimination in the workplace and transport, tenants, supervisors, transport drivers and workers and staff of PIC management.

- 1.29 **Administrative Costs (US\$2.9 million).** The program will fund administration including personal cost of the EA project team, monitoring, auditing, and EDGE certification activities.

**C. Key results indicators**

- 1.30 The indicators are described in more detail in the Results Framework (RF) of the project. The main outcomes, extracted from the complete RF, are presented in Table I-2.

- 1.31 **Benefits and beneficiaries.** The program's direct beneficiaries will be the 6,000 new workers employed by the PIC tenants (once expansion is completed) who will receive benefits in the form of formal employment and wages. Given an average Haitian family size of seven, the 6,000 Haitian employees will provide support for some 42,000 people. The firms established in the PIC, and their employees will also benefit directly in the form of better services provision such as improved industrial water quality, sewerage, and SW the expansion to be financed by this program is completed. Other direct beneficiaries are the more of 2,500 employees that will be trained in basic socioemotional, SGBV prevention and employability skills (1,875 new employees) and 640 current employees trained and certified in supervisory skills who will see their probability of employment risen and the opportunities for advancement increase. UTE will also benefit from interventions aiming to improve the management of the PIC. Also, all the PIC' employees, current and future (some 22,000 in total), will directly benefit from a PIC aligned with international safeguards' standards and in compliance with Haitian Law, thus ensuring a safe and inclusive environment.

**Table I-2 – Main Outcomes**

Key Results	Unit of Measurement	Baseline <sup>(1)</sup>	Target
Haitian workers employed in formal jobs by PIC tenants.	# jobs	15,914	21,914
Hiring contract between a National public institution and new entity to manage the PIC signed	# contract	0	1
Tenants in the PIC that are in compliance with updated <sup>45</sup> PIC rules and regulations on a yearly basis.	%	0	90
Occupancy ratio of new buildings in the PIC by tenant firms.	%	0	100
PIC's annual operation and maintenance costs covered by income (rent and water and sanitation, and transport services' fees) generated from PIC's operations.	%	149	149
New hires trained and certified <sup>46</sup> in basic socioemotional and employability skills.	%	0	75

<sup>45</sup> PIC rules and regulations are being updated to include enforcement policies and sanction mechanisms.

<sup>46</sup> Jobseekers will obtain a certification.

Selected PIC employees who are trained and certified in supervisory and leadership skills.	Employee	0	600
Employees with middle or supervisory positions in new firms/tenants at the PIC that are Haitian women.	%	0	7

(1) 2020.

1.32 **Sustainability of the PIC.** Professional and competent management of PIC operation is key to bring the park to a profitable level and deliver dividends to the GOH. The optimum path to achieve this status would be to classify the PIC as a Special Economic Zone ([OEL#4](#)) reporting to the MEF and all management functions would be awarded to a professional firm based on a competitive bidding process. The Bank has initiated a dialogue with the GOH on the options for PIC management after the protocol period and it has been agreed that the operation (Component 1), will finance a comprehensive institutional and legal analyses on the feasibility of creating the PIC as an autonomous entity with the following options: (i) PIC is registered as a SEZ (Special Economic Zone). PIC continues to be a GOH asset and a medium or long-term management contract is awarded to a professional, qualified, private company through a competitive bidding process; and (ii) PIC maintains current SONAPI industrial park status, but GOH issues a competitive bidding process to award a long-term management contract to a private, professional, qualified company to manage all operations, maintenance, customer relations, compliance, and sustainability.

1.33 **Financial viability.** A financial analysis was conducted to assess PIC's ability to cover regular operating and maintenance expenses with operating revenues. The financial model considered, among other things, the expansion of the park and, until the middle of FY 2021/2022, COVID-induced additional costs associated with the transportation of workers. Under its baseline scenario, it is projected that the PIC will be able to generate an annual net operational surplus of around US\$3 million for FY2022/2023 onwards. Two pessimistic scenarios were also prepared where local currency appreciation and slower building fill-up are assumed. These scenarios showed that PIC could experience a net operational deficit of around US\$0.6 million, while the COVID-induced additional costs are incurred and until new buildings start to generate revenues ([OEL#9](#)).

**Table I-3: PIC's Revenues and Expenses Projections – baseline scenario**  
(in million US dollars)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Revenues	5.1	6.7	8.1	9.3	9.4	9.3	9.3	9.2	9.2	9.1	9.1	9.1
Expenses	3.3	6.5	6.7	5.9	5.9	6.0	6.1	6.1	6.1	6.2	6.2	6.2
Net surplus	1.8	0.2	1.4	3.4	3.4	3.3	3.2	3.1	3.1	3.0	2.9	2.8

1.34 **Economic viability.** The economic viability of this operation was estimated through a cost benefit analysis. The economic costs include the investment of this program plus the incremental operation and maintenance costs that will accrue during the life of the project expressed in social terms (excluding taxes and fees). The economic benefits include: (i) the differential between the wages paid to local labor and the shadow wage; (ii) the difference between payments by foreign firms for public utilities and locally purchased inputs and the opportunity cost of these public utilities and locally purchased inputs; (iii) all tax payments by firms; and (iv) net profit income that goes to local equity shareholders in the PIC firms.

- 1.35 To determine the economic viability of this operation, the Economic Rate of Return of the base case was calculated at 24.99% (using a discount rate of 12%). To verify the resilience of this base scenario, a sensitivity analysis was performed ([OEL#11](#)). The results updated from previous operations reaffirm the economic benefits of expanding the PIC by creating additional formal employment, increasing the household income of workers as well as social security and medical coverage payments, and increasing revenue to the local economy through rental payments by foreign firms. PIC expansion is also likely to generate positive externalities such as: (i) increased spending in the local economy; (ii) creation of new businesses and other economic activity; and (iii) contribution to the overall economic growth of Haiti's Northern region.

## II. FINANCING STRUCTURE AND MAIN RISKS

### A. Financing instruments

- 2.1 The financing instrument is a Specific Investment Grant<sup>47</sup> chargeable to the IDB Grant Facility, distributed according to the following cost table:

**Table II-1. Summary of Program Costs (in US\$ Thousands)**

Components	IDB	Total	%
Component I. A PIC Sustainable and Modern Management	3,500	3,500	6
Component II. Infrastructure Provision in the PIC	56,600	56,600	87
Component III. Empowering Employees and Enhance Occupational Mobility	2,000	2,000	3
Administration	2,900	2,900	4
<b>Total</b>	<b>65,000</b>	<b>65,000</b>	<b>100</b>

- 2.2 **Execution period and disbursement schedule.** The projected execution and disbursement period will be five years from the effective date of the non-reimbursable financing agreement between the Bank and the Republic of Haiti. Disbursements will follow the schedule included in Table II-2. The start of the works is planned during the first year of the effective date of the contract (§3.2).

**Table II-2. Disbursement schedule (in \$thousands of US)**

Components	Year 1	Year 2	Year 3	Year 4	Year 5	Total
I. A PIC Sustainable and Modern Management	500	1,000	1,000	1,000		3,500
II. Provision of Infrastructure in the PIC	10,000	20,000	20,000	6,000	600	56,600
III. Empowering Employees and Enhance Occupational Mobility		500	500	500	500	2,000
Administrative costs	550	600	650	550	550	2,900
<b>Total</b>	<b>11,050</b>	<b>22,100</b>	<b>22,150</b>	<b>8,050</b>	<b>1,650</b>	<b>65,000</b>

### B. Environmental and social safeguard risks

- 2.3 In accordance with the Bank's Environment and Safeguards Compliance Policy (OP-703) this operation has been classified as "A". Since the first PIC operation,

<sup>47</sup> According to PR-201 since it is defined by its physical and technical individuality.

the Bank has developed specific ESHS plans and procedures to help address potential impacts and risks. Prevention and mitigation measures for construction and operation of this project have been prepared as part Environmental and Social Impact Assessment – ESIA (see [volume 1](#) and [volume 2](#)). An [Audit](#) was also conducted to investigate outstanding liabilities from the previous PIC projects. Mitigation measures and a corrective action plan addressing these issues were included in the audit. The issues and risks that are a priority for this project include: (i) proper implementation of the ESHS system; (ii) SW and hazardous waste management; (iii) proper management of gender risks (through the Gender Action Plan 2021-2025); (iv) stakeholder engagement and proper implementation and support to the grievance mechanisms; (v) continued cumulative impacts in the surrounding communities. The underlying causes for the limited advancement in implementing environmental and social mitigation measures remain: (i) the insufficient capacity of the GOH's agencies; (ii) competing priorities; and (iii) financial and operational resource constraints.

- 2.4 Moreover, there are still liabilities associated with the impacts on livelihoods of families that were farming the land when the PIC was built (which resulted in a MICI case). These liabilities are being managed through the implementation of an agreement on corrective actions that includes measures to restore the means of subsistence of the people impacted by the industrial park. Delays in the implementation of two livelihood restoration options (access to land and graduation program) occurred in 2020 and early 2021 and are being prioritized.
- 2.5 It is key to ensure that all conditions discussed in the ESMR are met, including the first disbursement and during execution. These conditions are part of the corrective action plan that the UTE/MEF has been working on with the support of the Bank since 2019. A summary of the status, next steps, and contractual conditions to resolve the environmental and social liabilities from the previous PIC operations is presented in the [OEL#13](#) (and in the [ESMR](#)).
- 2.6 Environmental and social impacts and risks of this operation are mostly related to: (1) the impacts and risks due to the construction of the new facilities within the PIC but also the risks associated to the operation of those additional facilities and its 6,000 additional employees (which would lead to specific cumulative impacts); and (2) the risks due to current performance and management of environmental and social aspects in the PIC. A full description of the risks and mitigation measures proposed and implemented so far, as well as grant conditions, is presented in the [ESMR](#).
- 2.7 Two rounds of meaningful consultations were completed as required for all Category A projects. The reports and findings are included in the final version of the ESIA, which was disclosed in accordance with OP-102. The main concerns raised by the communities were related to: (i) inadequate solid waste management, (ii) water quality of the Trou-du-Nord river, (iii) water availability, (iv) protection of the mangroves and flood risks, (v) safety of workers (during transportation and on site), and (vi) risks and management of accidents associated with the increase in the road traffic. These concerns have been considered in the ESIA and measures have been developed to address them. Furthermore, the UTE will update its stakeholder engagement plan and grievance mechanism and will

implement it prior to first disbursement. More details on the consultations are documented in the [ESMR](#).

### **C. Fiduciary risk**

- 2.8 UTE has extensive experience in the execution of projects financed by the Bank (Infrastructure Program 2552/GR-HA; Productive Infrastructure Program 2779/GR-HA; Productive Infrastructure Program II 3132/GR-HA; and Productive Infrastructure Program III 3384/GR-HA). In addition, UTE has been the executing agency for projects financed by the World Bank, AECID, USAID, KFW and the European Union. UTE has demonstrated a satisfactory executing capacity. The evaluation of its institutional capacity as EA of the program was conducted using the Platform for the Analysis of the Institutional Capacity to define the level of staff and technical support required. The Bank has determined a medium/high fiduciary risk for this operation. The identified risks are: (i) capacity of the financial management structure: (a) bottlenecks due to administrative flows and delegation of authorities; (b) delays due to increased workload for EA personnel; (ii) capacity of the procurement management system: following the decentralization of the procurement unit, the current structure is quite new and requires support. To mitigate these risks, the program considers the following measures: (i) strengthening of its financial management and control systems capacity and team; (ii) preparation of a procurement plan that covers the entire project life, allowing for a better planning considering possible bottlenecks; (iii) support the GOH to proceed with the preparation of the initial steps of procurement before the grant is approved by IDB; (iv) hiring of a procurement specialist and a financial specialist and providing training to the team; (v) conduct two training sessions for the procurement team to build capacity; and (vi) conduct quarterly technical assistance visits to support the procurement team. In addition, the PACI identified the need for the contracting of a project coordinator, an environmental and a social specialist as well as an administrative assistant to strengthen UTE project team.

### **D. Other key issues and risks**

- 2.9 The following risks were identified as high: (i) governance system of the project: management of the PIC may lack the required independence during the execution of the project due to the challenges currently faced by the country. To mitigate this risk and tighten PIC independence, given that UTE has proven positive results in managing the PIC, its mandate has been extended for an additional term of five years until February 11, 2026, through the formalization of an agreement signed between the SONAPI and MEF which details the functions and responsibilities of the UTE over the PIC. Additionally, new institutional arrangements such as the delegation of PIC management to a private firm will be considered by the MEF during the first year, the inclusion of a private entity would solidify the independence and autonomy needed to manage the PIC successfully. The following risks were identified as Medium/High: (i) sustainability: funds generated by the PIC may not be sufficient for a self-sustaining operation post-IDB funding. To mitigate this risk, a business plan including expansion strategy will be prepared and needs to be in place during the first year of execution; and (ii) human resources: training is not sufficient to develop the skills required by PIC tenants, which limits the creation of long-term economic opportunities. To mitigate that risk, motivation to learn and work will be assessed during intake interviews through

enhanced process as well as restrictions to participation. Opportunity costs could be covered by subsidies for training participation.

### III. IMPLEMENTATION AND MANAGEMENT PLAN

#### A. Summary of implementation arrangements

- 3.1 **Beneficiary and executing agency.** The beneficiary is the Republic of Haiti. The program's EA will be the MEF through UTE who will be responsible for the execution of all project components. UTE was established by ministerial circular in January 2005 and is headed by an Executive Director who reports directly to the Minister of Economy and Finance. As in the previous operations, the MEF will sign all contracts requested by the UTE that are financed by this operation. UTE will be responsible for the execution and administration of the program including the following activities: (i) planning of the activities and reporting on technical and fiduciary aspects; (ii) preparation and updating of the Pluriannual Execution Plan ([PEP](#)), the Program Operations Manual ([POM](#)), the Annual Operational Plan ([AOP](#)) and the Procurement Plan ([PP](#)); (iii) selection processes for works, goods and consulting services; (iv) works supervision, monitoring and evaluation of execution; (v) financial and accounting management, including submitting requests for disbursements and financial reports requested by the Bank; (vi) preparation and updating of the semestral reports of the project and results matrix; and, (vii) monitoring and evaluation.
- 3.2 **Special contractual clauses prior to the first disbursement: The Beneficiary will provide evidence to the satisfaction of the Bank of:** (i) the entry into force of the [POM](#) pursuant to the terms previously agreed upon with the Bank; (ii) the selection or designation of the program's key personnel, including a project coordinator, a monitoring and evaluation analyst, a procurement specialist, a financial specialist, an environmental specialist, and a social specialist; and, (iii) the selection or designation of PIC leading managing figures including a Director and a Technical Director with the profiles and technical skills detailed in the POM. These clauses are considered essential to guarantee that the beneficiary will be prepared to begin the execution of the program with a qualified team as well as with guidelines on operational and coordination aspects.
- 3.3 **Program Operation Manual.** Implementation of the project will be governed by the provisions of the POM, which will cover the following items: (i) execution arrangements for the program; (ii) detailed execution schedule; (iii) rules and procedures for administrative and financial management; (iv) procedures for monitoring and follow-up; (v) procedures and instructions for developing the environmental and social management plan; and (vi) assignment of the key personnel to be hired or assigned in the executing agency and other entities involved in the program ([OEL#12](#)). A summary of specific implementation arrangements for Component III is at ([OEL#10](#)).
- 3.4 **Environmental and Social Clauses.** The beneficiary shall ensure compliance with all other environmental, social and health and safety requirements set forth in Annex B of the [ESMR](#).



- 3.5 **Financial management.** Sets forth the framework for financial management and planning, as well as for procurement supervision and execution. Accounting and financial records will be governed by the Financial Management Guidelines for IDB-financed Projects (OP-273-12).
- 3.6 **Procurement execution.** The UTE will be responsible for their respective procurement activities, which will be carried out in accordance with the Policies for the Procurement of Works and Goods financed by the Bank (GN-2349-15), the Policies for the Selection and Contracting of Consultants financed by the Bank (GN-2350-15), and the procurement plan. Prior to any procurement process commencing, the executing agencies must submit to the Bank a general procurement notice within 30 days of the agreement being approved.
- 3.7 **Retroactive financing.** The Bank may retroactively finance, from the proceeds of the Bank's non-reimbursable financing, up to US\$6.5 million (10% of the proposed amount of Bank financing) in eligible expenditures incurred by the beneficiary before the approval date of the non-reimbursable financing proposal, provided that requirements substantially similar to those established in the non-reimbursable financing contract have been met. These expenditures will be used to finance activities of component 2 included in the PEP and POA ([REL#1](#)). They will have been incurred on or after April 21<sup>st</sup>, 2020 (project profile approval date) but under no circumstances will include expenditures incurred more than 18 months prior to the approval date of the non-reimbursable financing proposal.
- 3.8 **External audits.** The UTE will be responsible for the recruitment of external auditors of this project, acceptable to the Bank. The external audit will include an annual financial audit to be submitted within 120 days after the closure of each fiscal year in line with GOH fiscal year; and a final financial audit of the program to be submitted within 120 days after the date of the last disbursement. Other types of audit reports may be requested during the implementation of the project.

## **B. Summary of arrangements for monitoring results**

- 3.9 A Monitoring and Evaluation Plan was agreed upon, which includes a data collection plan, the parties responsible and the allocated budget ([REL#2](#)). The EA will be responsible for the program monitoring and evaluation, the PEP, AOP, results matrix, and progress monitoring report ([REL#1](#)). Within 60 days of the end of each six-month period, the EA will send semiannual progress reports on the program's execution, results obtained, and an action plan for the following six-month period. The program will include a mid-term and final evaluation.
- 3.10 The proposed evaluation methodology is reflexive, consisting of the measurement of the program outcome indicators at baseline and after the interventions have been implemented, with comparison of these measurements to verify achievement of the targets. Also, an impact evaluation of the activities financed with Component 3 will be carried out as well as an ex-post economic evaluation of the program.

**C. Significant design activities post-approval**

- 3.11 In order to ensure effective infrastructure construction in this fragile environment, a technical cooperation (ATN/OC-17939-HA) supported the preparation of the key designs, including technical feasibility studies for infrastructures and facilities extension to be fund by Component 2. The main objective of this operation was to ensure project readiness and specially to have bidding documents for works ready to be launched. Thus, on August 2021, UTE received offers to the main international works bidding process<sup>48</sup> (selection of a construction firm for building the new factories and facilities).
- 3.12 The selection of a technical assistance to MEF (¶1.26) will be launched to speed up the contracting of a strategic institutional support to ensure PIC sustainable management in the medium and long term.

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<sup>48</sup> Amount estimated around US\$44.4M (68% total amount).



Development Effectiveness Matrix		
Summary		HA-L1143
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	<div>-Social Inclusion and Equality</div> <div>-Productivity and Innovation</div> <div>-Economic Integration</div> <div>-Gender Equality and Diversity</div> <div>-Climate Change</div> <div>-Institutional Capacity and the Rule of Law</div>	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	<div>-Beneficiaries of employment support initiatives (#)</div> <div>-Jobs supported (#)</div> <div>-Women beneficiaries of economic empowerment initiatives (#)</div> <div>-Agencies with strengthened digital technology and managerial capacity (#)</div>	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2904	Government's organizations modernized. Promotion of private sector (1.1) and development of Haiti's Northern region (3.1)
Country Program Results Matrix	GN-3034	The intervention is included in the 2021 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		8.3
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		2.3
4. Ex ante Economic Analysis		10.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		1.0
5. Monitoring and Evaluation		10.0
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium High
Environmental & social risk classification		A
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)		
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	HA-T1273. This technical cooperation supports the preparation of the operation Productive infrastructure V (HA-L1143) by financing studies needed to design the interventions to be financed by the program and such, contribute to the sustainable economic development of Northern Haiti by creating formal employment in the North and Northeast Departments of Haiti by ensuring the necessary conditions for the establishment and expansion of firms in the PIC and ensuring its adequate management and long-term financial sustainability.

The general objective is to contribute to the sustainable economic development of Northern Haiti by creating jobs in the region through the provision of the necessary conditions for the establishment and expansion of firms in the Parc Industriel de Caracol (PIC). The specific objectives are: (i) to improve the management of the PIC in a sustainable manner and in line with international standards; (ii) to expand infrastructure to meet growing demand through climate-resilient and eco-efficient buildings; and (iii) to improve labor-force readiness by fostering skills development to match PIC tenants needs, and to foster a safe and inclusive working environment.

This is the sixth operation focused on the PIC supported by the Bank since 2011. Despite the success of the previous operations in job and income generation in the northern region, challenges remain. The documentation presents a solid diagnosis. Key barriers to appropriately manage the PIC and achieve sustainability are identified and quantified. Unmet demand for additional infrastructure is also identified; while key challenges faced by PIC tenants to have access to a labor supply with the required levels of skill are also identified.

To mitigate these challenges, the program will implement three components: I) Sustainable and Modern Management, aimed to modernize the PIC management and meet international safeguard standards; II) Infrastructure provision in the PIC, which will further expand the PIC's infrastructure to meet current demand; and III) Empowering employees and enhancing occupational mobility, aimed to improve skills and employability of current and future PIC employees. The results matrix (RM) reflects the General and Specific Objectives of the program and shows a good vertical logic for specific objectives (i) and (iii), but indicators should be added to strengthen specific objective (ii). The RM includes output, outcome, and impact indicators with their respective baseline values, targets, and means to collect the information. Most of the indicators in the RM are SMART.

An ex ante economic analysis was carried out, which follows a similar methodology as the five previous operations. The main benefits and costs are identified and quantified. The assumptions made are reasonable and are supported with administrative data from the PIC. The Economic Rate of Return (ERR) of the base case is 24.99%. Sensitivity analyses are carried out under six alternative scenarios modifying key variables that can affect costs and benefits; these modifications do not present significant alterations to the ERR.

The monitoring and evaluation plan proposes an impact evaluation based on an experimental design, which is complemented with an ex post cost-benefit analysis and a reflexive evaluation.

The risks identified in the risk matrix seem reasonable and are classified as Low (4), Medium-Low (5), Medium-High (8), and High (1) risks. All risks classified as Medium-High or High include mitigation actions, responsible party, and date or trigger.

RESULTS MATRIX<sup>1</sup>

<b>Project Objective:</b>	The general objective is to contribute to the sustainable economic development of Northern Haiti by creating jobs in the region through the provision of the necessary conditions for the establishment and expansion of firms in the PIC. The specific objectives for this operation will be: (i) to improve the management of the PIC in a sustainable manner and in line with international standards; (ii) to expand infrastructure to meet growing demand through climate-resilient and eco-efficient buildings; and (iii) to improve labor force readiness by fostering skills development to match PIC tenants needs, and to foster a safe and inclusive working environment.
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## GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measurement	Baseline value	Baseline year	Expected year for achievement	Target	Means of verification	Comments <sup>1</sup>
<b>General Development Objective: To contribute to the sustainable economic development of Northern Haiti by creating jobs in the region through the provision of the necessary conditions for the establishment and expansion of firms in the PIC.</b>							
Annual export sales by PIC tenants	\$ million	194,4	2020	2026	233,3	PIC quarterly report	Based on gross value reported by tenants (historical data). Assume linear progression based on utilized capacity and sale value
Average difference in employment rate between treated and control group	%	0	2020	2026	30	Impact evaluation	

## SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
<b>Specific development objective 1: Improve the management of the <i>Parc Industriel de Caracol</i> (PIC) <u>in a sustainable manner</u> and in line with international standards</b>											
1.1 PIC's annual operation and maintenance costs covered by income (rent and water and sanitation, and transport services' fees) generated from PIC's operations	%	149	2020					149	149	PIC quarterly reports	BL FY19/20 Numerator: annual income. Denominator: annual O&M costs.

<sup>1</sup> An expanded version of the results matrix indicating how and when each indicator will be measure and evaluated can be found in the Monitoring and Evaluation Plan ([REL#2](#))

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
1.2 Amount billed monthly to tenants that are collected by the management entity in charge of the PIC	%	93.55	2020					100	100		Numerator: Amount collected monthly by UTE correspond to the total amounts received on UTE BRH account dedicated to PIC management. Denominator: Amount billed by UTE to the tenants for renting and services provided by PIC.
1.3 Hiring contract between a National public institution and new entity to manage the PIC signed	# Contract	0	2020			1			1	Copy of the signed contract transmitted to the Bank by UTE.	
1.4 Annual performance benchmarks met by new PIC management entity to obtain Satisfactory Performance Rating	%	0	2020				100%	100%	100%	Annual activity report sent to the Bank by UTE. Source of information: annual evaluation of the contract	These benchmarks will be defined during execution.

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
1.5 Potable water supplied to the PIC with sufficient quality (complies with maximum iron of <0.3mg/L and manganese pf <0.05mg/L mineral content).	%	0	2020			100	100	100	100	PIC quarterly reports	Numerator: # of samples tested. Denominator: # of samples that meet standards
1.6 Industrial wastewater produced by the PIC that is adequately treated (complies with maximum biochemical oxygen demand of <30mg/L and absence of toxic chemicals)	%	0	2020			100	100	100	100		Numerator: # of samples tested. Denominator: # of samples that meet standards.
1.7 Solid waste produced within the PIC that is adequately disposed (in a sanitary landfill or composted)	%	0	2020			100	100	100	100	PIC quarterly reports	Sanitary landfill by definition is the adequate technology for final disposal.
1.8 Hazardous solid waste produced within the PIC that are adequately stored (long term storage facility)	%	0	2020			100	100	100	100	PIC quarterly reports	

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
<b>Specific development objective 1: Improve the management of the <i>Parc Industriel de Caracol</i> (PIC) in a sustainable manner and <u>in line with international standards.</u></b>											
1.9 Tenants in the PIC that are in compliance with updated <sup>2</sup> PIC rules and regulations on a yearly basis	%	0	2020					90	90	Inspection and compliance reports included in the (ESHS) monthly reports issue by PIC and evaluation reports produced by BetterWorks	The target is 90% since it is likely that some tenants would be in the process of fulfilling requirements to fully comply with rules and regulations.
1.10 Average time it takes PIC tenants to resolve all gender-specific non-compliance issues with PIC rules and regulations in effect, raised by ESHS.	# Months	14	2019					3	3	ESHS monthly report and PIC quarterly reports	Gender flag
1.11 Complaints filed by PIC workers that have been resolved or that are being investigated by the entity in charge of the PIC. Disaggregation 1: % of complaints investigated and resolved. Disaggregation 2: % of complains under current investigation	%	0	2020					100	100	ESHS monthly report and PIC quarterly reports.	

<sup>2</sup> PIC rules and regulations are being updated in 2021 to include enforcement policies and sanction mechanisms in line with international working standards and Haitian Law and the Environmental, Social, Health and Security (ESHS) management system.

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
1.12 Sexual harassment and SGBV complaints in the transport system servicing PIC that have been resolved or that are being investigated by the entity in charge of the PIC Disaggregation 1: % of complaints investigated and resolved. Disaggregation 2: % of complains under current investigation	%	0	2020					100	100	Yearly report by UTE gender specialist.	The indicator will disaggregate between those that are resolved and those still under investigation.  Gender flag
<b>Specific development objective 2: Expand infrastructure to meet growing demand through climate-resilient and eco-efficient buildings</b>											
2.1 Occupancy ratio of new buildings in the PIC by tenant firms	%	0	2020					100	100	PIC quarterly reports	Currently PIC is occupied at its full capacity. There is unmet demand to expand, and it is expected that all the new buildings will be leased right after they are finished.
2.2 Annual rental payments made by PIC tenant/firms	US\$ million/year	3.1	2020					5.1	5.1		

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
<b>Specific objective 3: Improve labor force readiness by fostering skills development to match PIC tenants needs in a safer and more inclusive working environment</b>											
3.1 Haitian workers employed in formal jobs by PIC tenants	# Of workers	15,914	2020					21,914	21,914	PIC quarterly report	15,914 Haitian workers as of Sept 30th, 2020 (Q3 2020).
3.2 Employees in middle or supervisory <sup>3</sup> positions who are Haitians.	%	7	2019			10	12	14	14	PIC quarterly reports	Middle or supervisory positions are employees involved in the supervision of other workers in the firm and requiring the usage of managerial skills. Figures reflect data for all tenant firms in the PIC. This indicator will be disaggregated by sex.
3.3 Floor supervisors employed by current tenants in the PIC who are Haitian women	%	14.7	2019					20	20	PIC quarterly reports	
3.4 Employees with middle or supervisory positions in new firms/tenants at the PIC that are Haitian women	%	0	2020			4	5	7	7	PIC quarterly reports	
3.5 Entry-level employees employed by new firms/tenants at the PIC that are Haitian women	%	0	2020			60	60	60	60	PIC quarterly reports	

<sup>3</sup> Middle or supervisory positions are defined as those involving the supervision of other workers in the firm and requiring the usage of managerial skills.

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
3.6 New hires trained and certified <sup>4</sup> in basic socioemotional and employability skills.	%	0	2020					75	75 <sup>5</sup>	Roster, certificates awarded	The number of new hires corresponds to those that: (i) successfully completed the training; (ii) received a certification after training; and (iii) were referred to PIC tenant firms. .  This indicator will be disaggregated by sex.
3.7 Selected PIC employees trained and certified <sup>6</sup> for delivering training in basic socioemotional and employability skills to their colleagues	%	0	2020		75				75 <sup>7</sup>		Firms can select workers using their own criteria.  This indicator will be disaggregated by sex.
3.8 Selected PIC employees who are trained and certified <sup>7</sup> in supervisory and leadership skills.	%	0	2020		75	75	75	75	75 <sup>7</sup>		Employees following training in supervisory skills will be identified and selected by PIC firms, using their own criteria.  This indicator will be disaggregated by sex.

<sup>4</sup> In the context of this project, jobseekers will obtain a certification when they attend more training sessions than the minimum required (number to be defined) and succeed in the skills examinations.

<sup>5</sup> Completion rates are based on previous evidence of similar projects in the country (ShareHope, 2020).



Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
3.9 PIC employees trained and certified <sup>7</sup> in gender awareness	%	0	2020		75	75	75	75	75		<p>Includes PIC current employees (600 trained on middle management and line supervisory skills) and new hires (1,875 trained on basic and socio-emotional skills).</p> <p>Training to include SGBV and women in the workplace topics.</p> <p>Gender flag</p>

## OUTPUT INDICATORS BY COMPONENT

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
<b>Component 1: A PIC Sustainable and Modern Management</b>											
I.1 Plan for PIC Management implemented	Plan	0	2020		1				1	UTE Semiannual Monitoring Report	Technical assistance to MEF to have a professional entity with sufficient autonomy to manage the PIC.
I.2 Updated environmental, social, health, and security (ESHS) system developed and implemented	System	0	2020		1				1		Technical assistance to ESHS team for updating the socioenvironmental management system (monitoring and evaluation).
I.3 Plan for procedures for grievance mechanisms, communication plan and stakeholder's engagement updated and implemented.	Plan	0	2020		1				1	UTE Semiannual Monitoring Report	Technical assistance to improve the relations between PIC stakeholders and PIC management entity (stakeholders engagement plan, communications plan, and grievances mechanism).

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
I.4 Trainings related to ESHS aspects (transportation, solid waste management, first aid, natural disaster etc.) implemented	# Trainings	0	2020	2	1	1	0	0	4	UTE Semiannual Monitoring Report	Training for PIC Management (all services included) personal in ESHS aspects.
I.5 PIC tenants' workers, supervisors and management employees training sessions on gender issues realized	# Trainings	0	2020	1	1	1	1	1	5	Yearly report by UTE gender specialist	Gender trainings and sensibilization sessions for PIC tenants' workers, supervisors, and management level.
I.6 PIC Gender Action Plan developed and finalized.	Plan	0	2020	1					1	Yearly report by UTE gender specialist.	Associated with result 1.9 Gender Plan is part of the ESHS management system. Gender flag
I.7 Management plans related to PIC services management implemented	# Plans	0	2020			4			4	UTE Semiannual Monitoring Report	Technical assistance to foster PIC services management (potable water production / distribution, industrial wastewater treatment, food system and transportation). Include support to small local firms for outsourcing.

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
<b>Component 2: Provision of infrastructure in the PIC</b>											
II.1 Industrial Warehouse (10,500 sq. m.) built fulfilling EDGE Certification V 3.0 conditions	# Building	0	2020		1				1	UTE Semiannual Monitoring Report based on works supervision reports	EDGE Certification level 1 implies a 20% reduction in water and energy consumption and a 20% reduction in energy embedded in materials. It does not require re-certification for this level. <a href="https://edgebuildings.com/certify/">https://edgebuildings.com/certify/</a>  CRF 2.23 flag
II.2 Industrial buildings for international tenants (12,000 sq. m.) built fulfilling EDGE Certification V 3.0 conditions	# Building	0	2020		2	2			4		CRF 2.23 flag
II.3 Industrial building for small local tenants (foster innovation and local entrepreneurship; (5,000 sq. m) built fulfilling EDGE Certification V 3.0 conditions	# Building	0	2020		1				1		CRF 2.23 flag
II.4 Annex building (boiler room, 200 sq. m.) built	# Building	0	2020		1				1		
II.5 Potable water network expanded	# Km	0	2020		1.62				1.62		
II.6 Industrial water network expanded	# Km	0	2020		1.62				1.62		

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
II.7 Sewerage network expanded	# Km	0	2020		1.62				1.62		
II.8 Drainage network expanded	# Km	0	2020		1.62				1.62		
II.9 Electrical network expanded	# Km	0	2020		1.62				1.62		
II.10 Internal road expanded	# Km	0	2020		1.62				1.62		
II.11 New canteens built fulfilling EDGE Certification V 3.0 conditions	# Buildings	0	2020		2				2		CRF 2.23 flag
II.12 Existing canteens rehabilitated Fulfilling EDGE Certification V 3.0 conditions	# Buildings	0	2020		4				4		CRF 2.23 flag
II.13 Bus fleet expanded	# Buses	0	2020			20			20	Reception certificate	
II.14 Compost facility inside de PIC built	# Facility	0	2020		1				1	UTE/MEF Semiannual Report based on works supervision reports	
II.15 Hazardous waste storage facility (250 sq. m.) built	# Building	0	2020	1					1		
II.16 Potable and industrial water treatment plant rehabilitated and in operation	# Plant	0	2020		1				1		

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
II.17 Infrastructure for reception of pretreated sludges (dewatered, nonhazardous) from industrial wastewater constructed	Solution	0	2020			1			1		
II.18 Flood prevention works of the <i>Trou-du-Nord</i> Riverbank built	# Km	0	2020		3.7				3.7	UTE/MEF Semiannual Report based on works supervision reports	Associated with result 1.9 to fulfill the ESHS requirements.
II.19 Firetruck purchased and delivered to UTE	# Truck	0	2020	1					1	Reception certificate	Associated with result 1.9 to fulfill ESHS requirements
II.20 New equipment installed at the health center localized at PIC entrance	# Equipment	0	2020		1				1	UTE/MEF Semiannual Report based on works supervision reports	The health center will be equipped to provide first aid to workers who are victims of work accidents before they are transferred to hospitals if necessary. Associated with result 1.9 to comply with international working standards and Haitian Law and fulfill the ESHS requirements.
II.21 Lactation equipment installed in rooms specifically designated for lactating mothers.	# Equipment	0	2020		2	2	2	1	7	UTE/MEF Semiannual Report based on works supervision reports	Gender flag

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
<b>Component 3: Empowering employees and enhance occupational mobility</b>											
III.1 PIC tenants' skill needs assessments and barriers for training identified for new hires and current employees	# Assessment	0	2020		1				1	Consultancy Report approved by UTE/MEF	Assessment will include a gender focus, differentiating and diagnosing barriers specific to women. Gender flag
III.2 Guidelines identifying curricula for training based on employers' needs assessments and learning pathways developed	# Guidelines	0	2020		1				1		Curricula will be gender inclusive and adapted to suit the labor/family needs of female employees. Gender flag
III.3 Training program on basic and socioemotional skills delivered to job seekers developed and delivered	# Training	0	2020		1	2	2	2	7	Administrative records of the recruitment and training providers.	A total of 2,500 trainees. This indicator will be disaggregated by sex.
III.4 Training program of trainers to deliver basic, socio-emotional and employability skills program to current workers developed and delivered	# Training	0	2020		2				2		A total of 40 trainees  This indicator will be disaggregated by sex.
III.5 Training program on middle management and line supervisory skills developed and delivered	# Training	0	2020		1	2	2	2	7	Administrative records of the recruitment and training providers	A total of 600 trainees.  This indicator will be disaggregated by sex.

Indicators	Unit of measurement	Base-line value	Base-line year	Year 1	Year 2	Year 3	Year 4	Year 5	End of Project	Means of verification	Comments
III.6 System for the evaluation of training's pertinence, quality, and effectiveness designed and operating	# System	0	2020		1				1	Consultancy Report approved by UTE/MEF	
III.7 System for operationalizing PIC's pipeline of talent designed and operating	# System	0	2020		1				1		Computer system that allows registering the application, training activities, intermediation of job seekers in the PIC.



Country: Haiti

Division: WSA

Operation No.: HA-L1143

Year: 2021

### Fiduciary Agreements and Requirements

**Executing Agency (EA):** Ministry of Economy and Finance through the Technical Executing Unit (UTE/MEF)

**Operation Name:** Productive Infrastructure Program V

#### I. Fiduciary Context of Executing Agency

1. Use of country system in the operation (Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of the Bank's validation).

<input type="checkbox"/> Budget	<input type="checkbox"/> Reports	<input type="checkbox"/> Information System	<input type="checkbox"/> National Competitive Bidding (NCB)
<input type="checkbox"/> Treasury	<input type="checkbox"/> Internal audit	<input type="checkbox"/> Shopping	<input type="checkbox"/> Others
<input type="checkbox"/> Accounting	<input type="checkbox"/> External Control	<input type="checkbox"/> Individual Consultants	<input type="checkbox"/> Others

#### 2. Fiduciary Capacity

Fiduciary Capacity of the EA	<p>The latest evaluation of the public financial management systems of the Republic of Haiti is contained in the <a href="#">PEFA assessment report</a> conducted in 2011 and published in February 2012. Country financial management systems and external control mechanisms, as evidenced by the latest diagnostic published, would require further improvements to conform to levels consistent with their utilization for the fiduciary management of Bank funded projects.</p> <p>Based on the current situation, no country systems will be used, and the Bank's procurement policies will govern procurement activities foreseen under this program.</p> <p>External control will be performed for all Bank operations by independent audit firms eligible to the Bank in accordance with the Bank's financial reporting and audit regulations.</p>
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### 3. Fiduciary risks and risk response

Area (Financial Management/Procurement)	Risk	Risk level	Risk response
Procurement	Bottlenecks due to administrative flows and delegation of authorities	Medium/high	The procurement plan covers the entire project life, allowing for a better planning considering possible bottlenecks. - GoH will proceed with the preparation of the initial steps of procurement before the grant is approved by IDB, provided that all the requirements are in accordance with those set out in the grant agreement.
Financial Management and Procurement	Delays due to increased workload for EA's personnel (including fiduciary)	Medium/high	Hiring of a procurement specialist and a financial specialist and providing training to the team
Procurement	Due to the decentralization of the of the Procurement Unit. The current structure is quite new and requires some support	Medium/high	Conduct two training sessions for the PM team of the UTE to help build the capacity of the new structure.

4. Policies and Guides applicable to operation: Financial Management of the project will be in accordance with the Financial Management Guidelines for IDB-Financed Projects (OP-273-12).

Procurement activities under the Project will be undertaken in accordance with the Procurement Policies for Goods, Works, and non-consulting: GN-2349-15 or future revised version; and the Policies for Selecting and contracting Firms Bank-Financed:GN-2350-15 or future revised version. Prior to any procurement process, the executing agencies must submit to the Bank a general procurement notice within 30 days of the agreement being approved.

5. Exceptions to Policies and Rules: Description

#### II. Aspects to be considered in the Special Conditions of the Grant Agreement

Prior to the first disbursement, UTE will provide confirmation of the following specialists have been hired by MEF/UTE: procurement specialist and financial specialist to reinforce the fiduciary capacity of the unit.
Exchange rate valid at the day of transaction will be used to record expenses incurred in local currency. The Central Bank exchange rate will be used at the reference rate.
The UTE will be responsible for the recruitment of eligible external financial auditors to perform the financial audit of the project as follows: (i) annual financial audit reports to be submitted within 120 days after the close of the fiscal year; and (ii) a final audit report to be submitted 120 days after the date of last disbursement.

### III. Agreements and Requirements for Procurement Execution

<input checked="" type="checkbox"/>	Bidding Documents	<p>The contracts for Works, Goods, and Non-Consulting Services generated under the project will be carried out in accordance with the Policy GN-2349-15 and subject to International Competitive Bidding will be executed through the use of the Standard Bidding Documents (SBDs) issued by the Bank. The processes subject to National Competitive Bidding (NCB) will be executed through the use of bidding documents satisfactory to the Bank. The use of Shopping as a procurement method shall follow the procedures set out in the Policy and will consist in the price comparison of at least three quotes.</p> <p>The selection and contracting of Consulting Services will be carried out in accordance with the Policies for the Selection and Contracting of Consultants (document GN-2350-15) and the Standard Request for Proposals (SRP) issued by the Bank or agreed between the EA and the Bank. The revision of the technical specifications, as well as the terms of reference of the procurements during the preparation of selection processes, is the responsibility of the sectorial specialist of the project.</p> <p>The contracting of individual consultants will be carried out in accordance with procedures set out in Section 5 of the Policies for selecting and contracting individual consultants.</p>
<input checked="" type="checkbox"/>	Training	To strengthen their capacity, training sessions will be organized for UTE-MEF staff responsible for the execution of procurement activities
<input checked="" type="checkbox"/>	Recurrent Expenses	<p>The recurrent expenses required to put the project into operation approved by the Project Team Leader, which are financed, will be made following the executing agency's administrative procedures. Such procedures will be reviewed and accepted by the Bank, provided that they do not violate the principles of value for money, economy, efficiency, equality, transparency, and integrity:</p> <p>(i) all expenses required and agreed with the Bank for the execution of the project; (ii) all executing unit individual consultants' contracts required for the execution of the project; and (iii) per diem (if any) and if agreed with the Bank.</p> <p>Operational costs do not include the salaries of public workers.</p>
<input checked="" type="checkbox"/>	Advanced Contracting Retroactive financing	The Bank may retroactively finance, from the proceeds of the Bank's non-reimbursable financing, up to US\$6.5 million (10% of the proposed amount of Bank financing) in eligible expenditures incurred by the beneficiary before the approval date of the non-reimbursable financing proposal, provided that requirements substantially similar to those established in the non-reimbursable financing contract have been met. These expenditures will be used to finance activities already included in the PEP and POA ( <a href="#">REL#1</a> ).
<input checked="" type="checkbox"/>	Special Procurement Provisions Applicable to The Transaction	The use of one of the methods described in the Procurement Policies GN-2349-15 under section 3.14, Procurement under BOO/BOT/BOOT, Concessions, and Similar Private Sector Arrangements section 3.14 is foreseen under component 1
<input checked="" type="checkbox"/>	Procurement supervision	Procurement activities foreseen under this operation will be subject to Ex ANTE review by the Bank. The Bank staff will conduct semi-annual procurement

		inspection visits to review the processes and following up on audit firm recommendations.
<input checked="" type="checkbox"/>	Records and Archives	All records and files will be maintained by the Executing Agency, according to accepted best practices, and be kept for a minimum of three (3) years beyond the end of the operation's execution period, or as stipulated in the grant agreement.

#### Main Acquisitions

Description of the procurement	Selection Method	New Procedures/Tools	Estimated Date	Estimated Amount US\$
Goods				
Supply of buses for workers transportation	ICB		August 2021	1,000,000.00
Works				
Installation and operation of potable water treatment plant	ICB		March, 2021	1,200,000.00
Construction of buildings and infrastructure for PIC tenants	ICB		May, 2021	44,000,000.00
Construction and rehabilitation of PIC Canteens	ICB		September, 2021	3,000,000.00
Consulting Firms				
Technical assistance to MEF	QCBS		October, 2021	960,000.00
Supervision for the construction of buildings and infrastructure for PIC tenants' contract	QCBS		April, 2022	2,500,000.00
Consultancy firm for attraction and recruitment	QCBS		April, 2022	1,150,000.00
Individuals				
Project manager	QCNI		September, 2021	500,000.00

**The procurement plan** covers the entire project life. To access the procurement plan. To access, procurement plan see [link](#).

#### **IV. Agreements and Requirements for Financial Management**

<input checked="" type="checkbox"/>	Programming and Budget	The UTE/MEF prepares, for each operation, annual operations plans together with its annual budget. This preparation is done by each program coordinator under the supervision of the Executive Director and with the inputs from the procurement and financial management units.
<input checked="" type="checkbox"/>	Treasury and Disbursement Management	The UTE/MEF will prepare annual planning of the project cash flow and will update it quarterly. The projected cash flow of the project will be based on activities planned, the procurement plan and payment terms agreed with suppliers and project beneficiaries. For disbursement of advance of funds, the unit will submit to the Bank financial plans covering cash flow needs for periods of up to six months. Disbursement supervision will be ex post. For each new advance, UTE/MEF need to justify 80% of cumulative advances. The UTE/MEF will open at

		the Central Bank of the Republic of Haiti (BRH) a bank account in gourdes and a bank account in dollars exclusively for the management of advances of funds to be received from the IDB. The use of direct payments might be accepted by the Bank to pay to suppliers on behalf of the UTE when required.
<input checked="" type="checkbox"/>	Accounting, information systems and reporting	The general accounting module of ACCPAC financial management system is currently used by the UTE to record financial transactions and produce reports and financial statements. Detailed annual budget including subcomponents and activities will be included in accounting system. Cash basis accounting will be used for the preparation of annual audited financial statements in accordance with international accounting standards.
<input checked="" type="checkbox"/>	Internal Control and Internal Audit	The UTE has a unit responsible for the Internal Audit and the Financial Management unit at UTE is responsible for establishing and adequate structure of internal control for project execution.
<input checked="" type="checkbox"/>	External control: external financial audit and project reports	Audits of financial statements will be performed in accordance with International Audit Standards and Bank's Guidelines for Financial Reports and External Audits. The annual project financial statements will correspond to the fiscal year and will be audited by an independent firm eligible to the Bank. The UTE will be responsible for the hiring of the audit firm according with the Bank procedures.
<input checked="" type="checkbox"/>	Project Financial Supervision	Bank Fiduciary staff will perform at least two supervision visits as part as the supervision plan for the operation on the first year of execution and will adjust according to risk and performance.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/21

Haiti. Nonreimbursable Financing \_\_\_/GR-HA to the Republic of Haiti  
Productive Infrastructure Program V

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, as Administrator of the IDB Grant Facility (hereinafter referred to as the "Account"), to enter into such contract or contracts as may be necessary with the Republic of Haiti, as beneficiary, for the purpose of granting it a nonreimbursable financing to cooperate in the execution of the Productive Infrastructure Program V. Such nonreimbursable financing will be for an amount of up to US\$65,000,000, which form part of the Account, and will be subject to the Terms and Financial Conditions and the Special Contractual Conditions in the Project Summary of the Grant Proposal.

(Adopted on \_\_\_ 2021)