



## Building Markets

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# LOUVRI POU BIZNIS OPEN FOR BUSINESS

A GLIMPSE INTO THE INTERSECTION  
OF DEVELOPMENT AND BUSINESS IN HAITI  
2009 - 2012

## ABOUT THIS REPORT

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Building Markets is a non-profit organisation that connects entrepreneurs, creates jobs, and sustains peace.

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# TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
1. INTRODUCTION	3
1.1 BACKGROUND	3
1.2 PDM-H SERVICES	10
1.3 BUILDING MARKETS' THEORY OF CHANGE	11
1.5 STRUCTURE OF THIS REPORT	12
2. SOURCES OF DATA & LIMITATIONS	12
3. DIRECT IMPACT OF PDM-H SERVICES	14
3.1 PROCUREMENT TRAINING	14
3.2 TENDER DISTRIBUTION SERVICES	18
3.3 SUPPLIER DIRECTORY	22
3.4 MATCHMAKING	24
3.5 COMMUNICATIONS, OUTREACH & RESEARCH	28
4. THE IMPACT OF LOCAL PROCUREMENT	31
4.1 OVERVIEW OF CONTRACTS FACILITATED	31
4.2 CONTRACTS SUSTAIN & CREATE JOBS	36
4.3 CONTRACTS CONTRIBUTE TO STABILITY AND SUSTAINABILITY OF LOCAL BUSINESSES	42
4.4 IMPACT ON WOMEN	44
5. LESSONS LEARNED	46
6. CONCLUSION	48
ANNEX 1 DATA COLLECTION METHODOLOGIES	50
A1.1 IMPACT SURVEY 1	50
A1.2 IMPACT SURVEY 2	50
A1.3 BUYER SURVEY	51
A1.4 SOURCES OF ERROR	51

# LIST OF FIGURES

Figure 1	Mission Expenditures by Category, Sorted by Percentage Local Impact
Figure 2	CIDA's aid expenditures by theme, 2011
Figure 3	Example of information disclosed by CIDA
Figure 4	PDM-H Theory of Change
Figure 5	Tender comprehension before and after training
Figure 6	Post-training questionnaire
Figure 7	Haitian businesses' point of view that tenders found on the TDS are not found elsewhere
Figure 8	How essential was PDM-H in helping you win a contract?
Figure 9	Contracts facilitated by sector
Figure 10	Distribution of contracts by business size
Figure 11	Jobs created and sustained
Figure 12	How many skilled employees do you have? How many unskilled?
Figure 13	Expansion of employees by business size
Figure 14	Jobs created or sustained by sector
Figure 15	Median wage per day per employee
Figure 16	Jobs created or sustained by gender and sector

# LIST OF TABLES

Table 1	Comparison of various business listings in Haiti
Table 2	Comparison of female and male-owned and managed businesses using data from the Supplier Directory
Table 3	Categories of contracts facilitated
Table 4	Contracts recorded for each year of PDM-H operations
Table 5	Regression coefficients used to estimate value of one day of employment
Table 6	Comparing cost-effectiveness of PDM-H to other job creation projects

# EXECUTIVE SUMMARY

The Peace Dividend Marketplace-Haiti project (PDM-H), an innovative approach to increasing the economic impact of the aid presence in Haiti, started in June 2009 with funding from the Canadian International Development Agency (CIDA). The goal of the project was to reduce poverty in Haiti by reducing barriers to local procurement and increasing the participation of local businesses, and most notably SMEs, in the reconstruction effort. The Peace Dividend Marketplace model uses a suite of services to help buyers and local suppliers to connect and do businesses in what is an extremely challenging environment for the private sector.

During the project more than 1,000 businesses were trained in international procurement procedures and 82% of trainees surveyed three months later reported that they had increased the number of contracts they bid on due to the training. Businesses were further helped to access contracts with the distribution of 1,081 tenders. More than 80% of TDS users surveyed said that they found tender on the site that they would not find elsewhere. It also helps NGOs to make their processes transparent - as Justin Kosoris, Chemonics' procurement officer, stated "It makes sure anyone who wants to bid, can bid."

PDM-H's online directory of verified suppliers raised the profile of 3,965 businesses and has helped NGOs maintain up-to-date vendor lists. For those buyers with more specific needs, PDM-H fulfilled 570 requests for match-making with local businesses. For some buyers, this meant ensuring they could find a local supplier before looking to import from overseas.

A key part of PDM-H's goal of increasing local procurement was running events, writing articles and blogs, appearing on the radio and undertaking research to raise the profile of local businesses. Both buyers and suppliers have given feedback on how successful PDM-H events were at helping to make business connections. In a country where information is scarce, PDM-H's blogs and reports were often picked up by the local media. As a procurement officer from Architects for Humanity states PDM-H shows that "that someone is taking businesses in Haiti seriously and that they are gaining credibility."

Buyers and suppliers in Haiti reported to PDM-H that these services had helped the local private sector to win 1,332 contracts valued at \$28.7m. Over one third of these contracts went to women-owned businesses. These contracts are important because they generate jobs and help to make local businesses more sustainable by allowing them to invest in themselves, build up a track record, and increase buyers' confidence in the local market, which ensures the sustainability of local procurement. A survey to businesses that had won 48 businesses that had won 147 contracts revealed the following:

- The construction sector accounted for half of all jobs created or sustained and also had the highest proportion of new hires on winning a contract.
- Smaller businesses were much more likely to hire new staff on winning a contract.
- Overall, Building Markets estimates that the contracts it helped to facilitate created 11,604 jobs that lasted on average for one month. This is equivalent to 967 FTE for one year.
- One quarter of surveyed businesses used the profits from contracts to invest in their businesses – either in training their staff, buying new equipment or expanding operations.
- Eighty per cent of contracts won by surveyed businesses led to a follow-on contract. This demonstrates how the creation of linkages increases the stability of local businesses.
- The business/consulting services and household/industrial materials sectors had the highest proportion of jobs going to women, although the construction sector accounted for the highest number of female employees, as it employed so many more people than any other sector.

## LESSONS LEARNED FOR BUILDING MARKETS

- Assessing the impact of Building Markets was hampered by the lack of a baseline taken at the beginning of the project. In particular this made it difficult to see how buyers' practices had evolved over the life of the project.
- Haitian business-owners are extremely difficult to survey due to high levels of suspicion. This meant that impact surveys undertaken required more resource than anticipated.
- Suppliers attending training tended to give uniform answers in their surveys and so a different approach is required to get more sensitivity and a better understanding of the impact of training.

## RECOMMENDATIONS

The Government of Haiti, through the MCI, should:

- take a leadership role in developing and implementing local procurement regulations that support the Haitian private sector;
- commission a comprehensive study of barriers to SME growth and implement meaningful reforms that will support job creation and economic growth;
- continue to improve the business enabling environment in Haiti, including improving Haiti's ways of doing business ranking;
- champion Haiti First approaches to humanitarian, development and reconstruction initiatives underway in Haiti;
- commission an independent study on the volume of procurement being carried out by organizations in Haiti, and measure the economic impact of these efforts to encourage more local procurement and business development;
- continue to operate the Tender Distribution Services on [www.haiti-tenders.org](http://www.haiti-tenders.org);
- continue to provide procurement training to Haiti SMEs;
- and, continue to verify and update SME's basic information in Haiti and make the information readily available to the public.

The Haitian private sector should:

- work in partnership with GOH and the international community to ensure that Haitian SMEs create jobs and play a leadership role in Haiti's economic recovery;
- diligently improve business standards, customer service and transparency and attention to detail;
- scale up through partnership agreements and joint ventures to be able to respond to larger opportunities;
- re-invest profits in business modernization;
- train and develop human resources in procurement practices in Haiti; and
- provide internships to students to acquire business skills.

The International Aid Community should:

- prioritize Haitian companies in procurement processes, particularly those dealing in locally produced goods;
- share information about planned expenditures earlier so that the business community can be more responsive;
- publish local procurement policies;
- consistently publish tenders online on [www.haiti-tenders.org](http://www.haiti-tenders.org) and other sites so that businesses can always access tenders;
- measure economic impact and job creation effects;
- reduce the size of contracts so that small companies can bid;
- simplify procurement documentation and forms;
- ensure procurement notices are written in French and/or Creole;
- improve terms of payment (i.e. paying suppliers within 30 days);
- contribute to efforts to build qualified, local vendor lists;
- provide training to local suppliers on procurement protocols; and
- hire Haitian staff and build local capacity.



# I. INTRODUCTION

The Peace Dividend Marketplace-Haiti project (PDM-H) started in June 2009 with funding from the Canadian International Development Agency (CIDA). The implementing organization has been Peace Dividend Trust, which changed its operating name to Building Markets in 2012. The Peace Dividend Marketplace model is an innovative approach to increasing the economic impact, and the resulting peace dividend, of the massive aid and humanitarian presence in Haiti. The goal of the project is to reduce poverty in Haiti by reducing barriers to local procurement and increasing the participation of local businesses, and most notably small and medium-sized enterprises (SMEs), in the reconstruction effort. The Peace Dividend Marketplace model uses a suite of services to address asymmetries and gaps in information that are faced by buyers and suppliers in the local marketplace.

## I.1 BACKGROUND

### I.1.1 HAITI'S ECONOMY

Since it became the first black independent republic in the world in 1804, Haiti has experienced continuous turmoil and upheaval, turning an economy that was at one time known as the pearl of the Caribbean to the poorest state in the Western Hemisphere.<sup>1</sup> Haiti's annual per capita income is estimated at US\$450 (2012) and it ranks 158 out of 177 countries on the UN's Human Development Index.<sup>2</sup> Before the earthquake, 55% of Haiti's nine million inhabitants lived below the poverty line on less than US\$1.25 a day.<sup>3</sup>

Development is held back by extreme poverty, natural disasters, environmental degradation, violence, and political instability. In this context Haiti has become heavily dependent on foreign aid and, as a result, hosts a multitude of international organizations (IOs), including MINUSTAH forces,<sup>4</sup> numerous bilateral and multilateral agencies. Although Haiti has been dubbed the "Republic of NGOs", there are no reliable statistics on how many NGOs operate there, with estimates ranging between 343 and 20,000.<sup>5</sup>

While the international presence has been criticized for lack of coordination and bypassing local structures,<sup>6</sup> there is an opportunity for local businesses to become directly engaged in the reconstruction of their country. When local procurement percentages are small, there is a substantial opportunity to increase them.

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<sup>1</sup> "U.S. Relations with Haiti." U.S. Department of State. 07 June 2012. Web. 08 June 2012. <http://www.state.gov/r/pa/ei/bgn/1982.htm>.

<sup>2</sup> "International Human Development Indicators - United Nations Development Programme." Human Development Reports. UNDP. Web. 08 June 2012. <http://hdrstats.undp.org/en/countries/profiles/HTI.html>.

<sup>3</sup> "Key Statistics | Haiti Relief." U.N. Office of the Special Envoy for Haiti. UN. Web. 08 June 2012. <http://www.haitispecialenvoy.org/relief-and-recovery/key-statistics/> - more recent statistics are unavailable.

<sup>4</sup> "United Nations Stabilization Mission in Haiti (MINUSTAH)." UN News Center. UN, n.d. Web. 08 June 2012. <http://www.un.org/en/peacekeeping/missions/minustah/>.

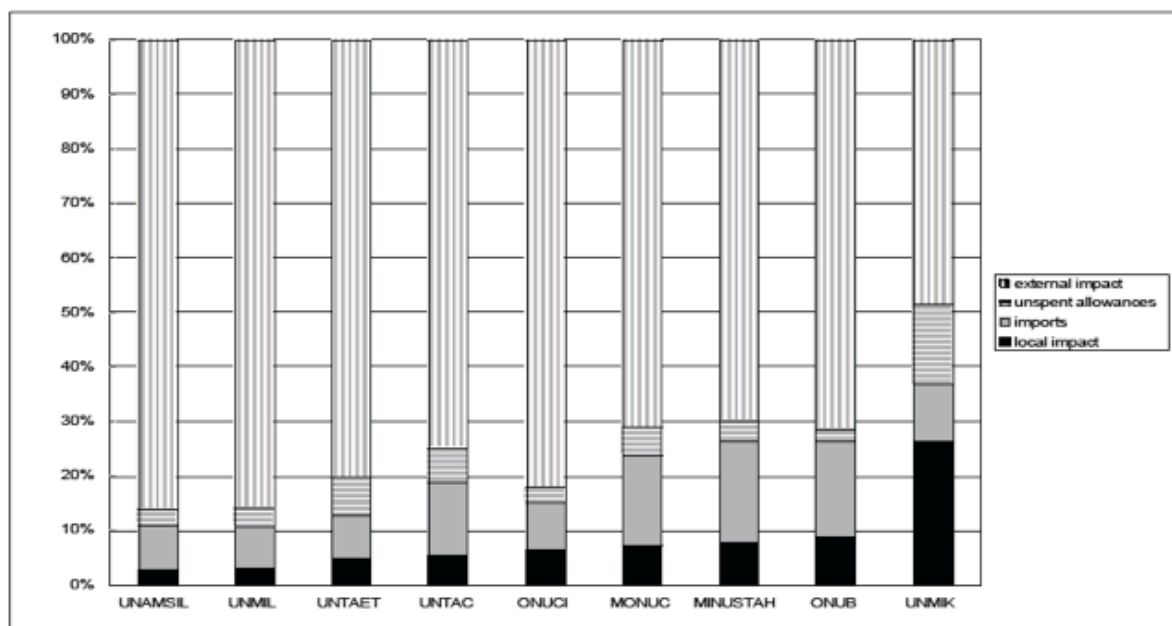
<sup>5</sup> "Global Development: Views from the Center." Center for Global Development. Center for Global Development. Web. 08 June 2012. <http://blogs.cgdev.org/globaldevelopment/2012/01/is-haiti-doomed-to-be-the-republic-of-ngos.php>.

<sup>6</sup> Carlson, Adam. "Haiti Forgotten." Berkeley Political Review. Web. 08 June 2012. <http://bpr.berkeley.edu/2011/03/haiti-forgotten-2/>.

## 1.1.2 WHAT BUILDING MARKETS LEARNED FROM THE ECONOMIC IMPACT OF PEACEKEEPING

Building Markets' research in 2006 on the impact of United Nations peacekeeping missions on local economies found that spending on locally procured goods and services had a significant impact on the development of the private sector, generating both business income and jobs.<sup>7</sup> However, many missions had scope to increase local procurement, including the UN mission to Haiti, MINUSTAH. Of all of the missions studied, MINUSTAH had among the lowest levels of economic impact – just 8% of overall spending and 11% of procurement spending was entering the local economy. Several officials working for MINUSTAH read the report and were interested in seeing progress from the baseline and increasing their economic impact.

Figure 1: Mission expenditures by category, sorted by percentage local impact



Source: United Nations financial statements and project staff estimates. Information from United Nations financial statements prior to 2004–05 is taken from actual performance reports and represents actual historical data. Information for 2004–05 is estimated data taken from budget proposals, as the performance reports for 2004–05 are still under preparation.

Building Markets undertook a scoping mission to Port-au-Prince in 2007 and found that the elements for a high-impact Peace Dividend Marketplace (PDM) project were present: a huge international presence with local economic activity that could meet at least some of their demand for goods and services. The long-standing development presence in Haiti had done little to develop the private sector, and the Peace Dividend Marketplace – Haiti (PDM-H) had the potential to open up contracting opportunities to a wide range of suppliers and help to increase competition.

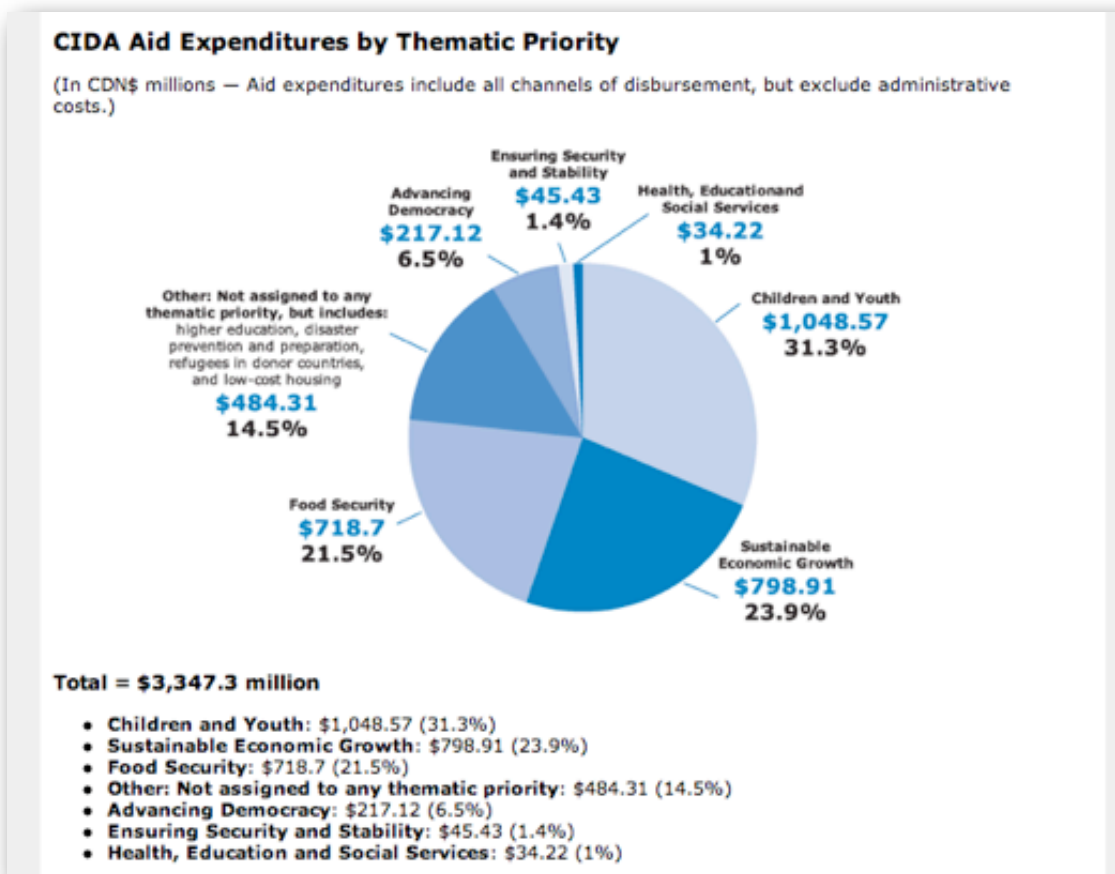
The PDM-H activities firmly supported the Government of Canada's broad objectives in 2007, including improved governance, in Haiti by:

1. Strengthening the assistance mission through increased local economic impact; and
2. Fostering economic recovery by enabling local business development.

<sup>7</sup> Carnahan, Michael, William Durch, and Scott Gilmore. Economic Impact of Peacekeeping - Final Report. [http://buildingmarkets.org/sites/default/files/economic\\_impact\\_of\\_un\\_peacekeeping\\_march\\_2006.pdf](http://buildingmarkets.org/sites/default/files/economic_impact_of_un_peacekeeping_march_2006.pdf).



Figure 2: CIDA's aid expenditures by theme, 2011



More recently, sustainable economic growth was identified as a priority of CIDA, which including growing businesses. In 2010-2011, CIDA spent 23.9% of its official development assistant on sustainable economic growth initiatives<sup>8</sup>. To put its strategy into action, CIDA will support initiatives that include elements that are relevant to the PDM-H intervention:

- strengthen support for SMEs, with a special emphasis on women
- aim to increase the productivity and sustainability of businesses

A desired outcome for this economic growth strategy is the creation of long-term stable jobs for the poor. The data that has been collected to date for work in Haiti indicate that short-term jobs are being created during humanitarian, development and reconstruction interventions in Haiti. It would be worth investing in additional research to determine how short-term work impacts personal and household incomes in the long-term. For example, what is unknown now is how a short-term job provides improved chances of securing long-term or regular employment.

What we do know is that SMEs become more robust, and thereby sustainable, when they have access to procurement opportunities in the near term, in order to be able to respond to shocks, to market demands and to changing market conditions through investment, business experience and a more skilled workforce through experienced managers and staff.

<sup>8</sup> CIDA. "Development for Results 2010-2011: At the Heart of Canada's Efforts for a Better World." Web. 8 June, 2012. <http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/CAR-31175749-UX7>.

### 1.1.3 A COMPLEMENTARY INITIATIVE

The PDM-H model is complementary to the plans and policies of the Haitian government, both before and after the earthquake and many humanitarian and development initiatives underway in Haiti.

Among the Government of Haiti's priorities in 2007 was the increase of government revenues. Increased procurement provides a transparent means to generating taxable revenue and fostering the formal economy, while contributing to stabilization by maintaining and creating jobs. In addition to creating a taxable benefit, the distributional impact of the business transactions stimulated by the PDM-H project, it was believed that the knock-on effects would be significant, because it is estimated that for every dollar spent in countries hosting a peace operation, \$1.50 circulates in the local economy<sup>9</sup>.

**A dynamic, growing economy, will increase revenue generation and create employment, leading to higher continued personal and household incomes that can benefit the most impoverished**

Stimulating Sustainable Economic Growth. CIDA's Sustainable Economic Growth Strategy. No date. page 1.

In the IMF's 2008-2010 Poverty Reduction Strategy, employment is cited as a core performance indicator, and support for small and medium-size enterprises (SMEs) to become more effective is a key feature of sectoral approaches to market development.<sup>10</sup> In the post-earthquake period, the Action Plan for the National Recovery and Development of Haiti identified the promotion of SMEs in various sectors as an important component of stimulating growth.<sup>11</sup>

Outside of Haiti, the promotion of local procurement has become a recognized contributor to economic growth. For example, it is a priority in the High Level Meetings on Aid Effectiveness hosted by the Development Assistance Committee (DAC), and appropriately referenced in the documents developed, such as the Paris Declaration and the Accra Agenda for Action.<sup>12</sup>

### 1.1.4 A LACK OF DATA HAMPERS UNDERSTANDING OF THE ECONOMIC SITUATION IN HAITI

In 2007, the only publicly available information about local procurement by international organizations in Haiti was Building Markets' Economic Impact of Peacekeeping research. By funding PDM-H, CIDA took a risk on an innovative model that seeks not only to include Haitian SMEs in the development of their own country but also helps to understand the role of SMEs in Haiti's economy. This project's impact report helps to fill some important gaps in understanding the complex relationship between the international presence in Haiti and the local marketplace. Many questions nevertheless remain unanswered, as has been clearly expressed in both recent academic research and the media. The unanswered questions have caused the newly elected Prime Minister Laurent Lamothe to call into question the role of the NGO industry and to demand "a complete intervention of the NGOs operating in Haiti and to evaluate their performances and their respective sectors of activities."<sup>13</sup> This will help better align international assistance to the government's national priorities, and to improve monitoring of who is doing what. Some recommendations for the Government of Haiti and the international community are included in the conclusion of this report.

One weakness of the PDM-H project was the omission of a baseline survey of buyers and suppliers operating in Haiti at the start of the project. Therefore, the data that has been recorded and presented in this report is only available from direct feedback that was collected from organizations operating in Haiti. These organiza-

<sup>9</sup> Carnahan, et al. Economic Impact of Peacekeeping, 15.

<sup>10</sup> International Monetary Fund, Growth and Poverty Reduction Strategy Paper (Document de strategie nationale pour la croissance et pour la reduction de la pauvreté (DSNCRP) (2008-2010). Making a Qualitative Leap Forward. November 2007.

<sup>11</sup> Government of Haiti, Action Plan for National Recovery and Growth, March 2010.

<sup>12</sup> More information is available on [http://www.oecd.org/departement/0,2688,en\\_2649\\_33721\\_1\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/departement/0,2688,en_2649_33721_1_1_1_1_1_1,00.html).

<sup>13</sup> Haiti Libre. "Haïti – Humanitaire : Message de Laurent Lamothe au Colloque sur le rôle des ONG." Web. 8 June, 2012 <http://www.haitilibre.com/article-5931-haiti-humanitaire-message-de-laurent-lamothe-au-colloque-sur-le-role-des-ong.html>.

tions shared their perceptions on the evolution of the private sector in Haiti since 2009,<sup>14</sup> in terms of the ability of local businesses to win contracts.

There is a lack of meaningful data about international spending in Haiti, beyond aggregated numbers available from donor agencies. For example, CIDA proactively discloses the amount of funding for each project implemented in Haiti, but does not provide any information about the expected local staffing or procurement budget of each project. This information is necessary to evaluate the economic footprint of funding in Haiti.

Figure 3: Example of information disclosed by CIDA<sup>15</sup>

Generate this profile: <a href="#">CSV</a> <a href="#">XML</a>	
<b>Project Profile</b>	
Title	<b>Permanent Housing Reconstruction in Petit-Boucan, Gressier</b>
Project Number	S065304-001
Maximum CIDA Contribution	\$ 4,997,436
Executing Agency - Partner	<a href="#">Development and Peace</a> <a href="#">↗</a>
Status	Operational
Start - End	2012 - 2012
Country	
<a href="#">Haiti: 100%</a>	
Sector(s)	
<b>Improving health</b>	
Education and training in water supply and sanitation (014081): 13%	
<b>Emergency assistance</b>	
Reconstruction relief and rehabilitation (073010): 87%	
Description	
<p>This project aims to sustainably rehabilitate the rural mountainous area of Gressier, which was hard hit by the January 12, 2010 earthquake, by carrying out the reconstruction of 400 permanent, earthquake and hurricane resistant houses, as well as complementary infrastructure (latrines and structures to capture rainwater).</p> <p>The main expected outcomes of the project are: improved welfare and security of the target populations, especially women, through rebuilding their homes, building the capacity of local community members to build permanent, earthquake and hurricane-resistant houses and increasing the confidence of local community members in local producers of building materials.</p>	
Expected Results	
<p>This is a new feature, part of CIDA's efforts towards increasing transparency. Information will only be available for projects approved after October 15, 2011. For other projects, information on expected results is usually included in the description.</p>	
Contracts, Grants and Contributions	
<a href="#">Development and Peace</a>	2012-01-03 Contribution

<sup>14</sup> In recognition of the importance of setting a baseline, Building Markets conducted a baseline survey at the inception of its PDM-L project in Liberia. The results of this survey are presented in the report Seizing Potential: An Overview of the PDM-L which can be accessed at <http://liberia.buildingmarkets.org/reportsandmetrics>

<sup>15</sup> CIDA. "Project Profile for Permanent Housing Reconstruction in Petit-Boucan Gressier." Web. 7 June 2012 <http://www.acdi-cida.gc.ca/CIDAWEB/cpo.nsf/vWebCSAZEn/426158D0E8024B128525788C00374363>.

A recent report from the Center for Global Development found that the lack of economic data about Haiti is a serious problem that prevents comprehensive analysis, stating: "USAID and other U.S. agencies have been operating for several decades in Haiti, as have many of the large international NGOs... Almost nothing is known about how the money that has been spent in Haiti, in the years leading up to the quake and in the twenty-eight months following, when several billion dollars were channeled through intermediaries for service delivery to the Haitian people."<sup>16</sup>

USAID provides an explanation of its own lack of data, by stating: "Unfortunately, the Agency does not have the systems in place to track sub-grants and sub-contracts so it is not possible to state precisely the number of partners or the percentage of USAID funds that flow to local nonprofit organizations (or, for that matter, to local private businesses) through these indirect arrangements."<sup>17</sup>

Initiatives meant to address the lack of available development data, including the International Aid Transparency Initiative, to which Canada is a signatory, have not yet generated the data that would make it possible to assess the economic impact of organizations in host countries.<sup>18</sup>

### 1.1.5 PERCEPTIONS OF A CHANGING LOCAL MARKET

During a survey carried out in Haiti from May to June 2012, buyers were asked how the local market has changed since the January 2010 earthquake and the implementation of the PDM-H project. Most of the buyers were in agreement that the market has improved, with more local firms competing and an improvement in the quality and scope of work. However, one organization stated that the quality of the market hasn't improved enough – more could be done to increase the capacity of local suppliers. Sourcing locally has certainly become a more viable option than it was in the months immediately after the earthquake.

The buyers noted that they face several challenges when procuring locally, including the reliability of local suppliers, time delays when completing projects, and locating new suppliers. The most significant challenge for SMEs is access to finance. The local marketplace is dominated by larger firms that retain monopolies over credit, to the extent that loans either do not exist, or where loans are available - they carry high interest rates. This impedes access for SMEs. International organizations noted that access to finance is an important challenge to address in order to build a robust marketplace that is less heavily reliant upon the established, yet limited, contingent of large businesses.

Ensuring access to finance for SMEs is often a priority for economic reconstruction; however, this is an especially difficult task in fragile states. Recent research shows that the business environment in which an SME operates significantly constrains access to credit.<sup>19</sup> Haiti places 31<sup>st</sup> out of 32 economies in Latin America and the Caribbean, according to the World Bank's ease of doing business (2011) ranking<sup>20</sup>.

In fragile states such as Haiti, SMEs have very limited access to finance because there is lack of legal systems to formalize the use of land as collateral or resolve disputes.<sup>21</sup> Furthermore, SMEs in fragile states tend to have shorter business histories<sup>22</sup> and entrepreneurs tend to have limited management skills.<sup>23</sup> Given such conditions, banks are much less willing to lend to SMEs. This tendency was illustrated by a World Bank survey that

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<sup>16</sup> Ramachandran, V. and Walz, J., "Where Has All the Money Gone?", Center for Global Development Working Paper 004, May 2012. Web. June 27, 2012. [http://www.cgdev.org/files/1426185\\_file\\_Ramachandran\\_Walz\\_haiti\\_FINAL.pdf](http://www.cgdev.org/files/1426185_file_Ramachandran_Walz_haiti_FINAL.pdf).

<sup>17</sup> Ramachandran, V. and Walz, J., "Where Has All the Money Gone?", Center for Global Development Working Paper 004, May 2012. Web. June 27, 2012. [http://www.cgdev.org/files/1426185\\_file\\_Ramachandran\\_Walz\\_haiti\\_FINAL.pdf](http://www.cgdev.org/files/1426185_file_Ramachandran_Walz_haiti_FINAL.pdf).

<sup>18</sup> See <http://www.aidview.net/activities?Country=HT> which illustrates the lack of data available.

<sup>19</sup> Beck, Thorsten. "Financing Constraints of SMEs in Developing Countries: Evidence, Determinants and Solutions." (2007). Print. P 6.

<sup>20</sup> IFC. "Doing Business – Economy Rankings." Web. 27 June 2012. <http://www.doingbusiness.org/rankings>.

<sup>21</sup> Atil, Melody. "Innovative Financing Models for SMEs Operating in Conflict- or Crisis-Affected Countries." International Network for Economics and Conflict. Web. 13 Feb. 2012.

<sup>22</sup> Ernst & Young. 2010 Baseline Survey of Small and Medium Enterprises in Uganda Draft Final. Rep. 2011. Print. Uganda Investment Authority. P 49.

<sup>23</sup> Atil, Melody. "Innovative Financing Models for SMEs Operating in Conflict- or Crisis-Affected Countries." International Network for Economics and Conflict. Web. 13 Feb. 2012.

**“Humanitarian and international agencies have been active in Haiti for decades; now it is time for the private sector to help build long-term, sustainable businesses that stimulate growth, create jobs, and promote national resilience.”**

The World Economic Forum. Private Sector Development in Haiti: Opportunities for Investment, Job Creation and Growth. 2011.

found that 74.4% of Haitian businesses identified financing was a major obstacle<sup>24</sup>. In terms of getting credit, Haiti ranks 139 out of 183<sup>25</sup>.

This issue was highlighted further by a 2009 report published by the Asian Development Bank, elaborating on the necessity of SMEs and credit programs to reduce poverty, “while broadening the access to finance by microenterprises, small and medium-sized enterprises (SMEs), and vulnerable groups is recognized as critically important for poverty reduction, it is also widely believed that microfinance and SME credit pro-

grams need to be well designed and targeted to be effective. In particular, these programs need to be accompanied by other support services such as provision of training and capacity building, assistance in accessing markets and technologies, and addressing other market failures.”<sup>26</sup>

### Box 1: New approaches to poverty reduction from the 4th High Level Forum on Aid Effectiveness (2011)

In the run-up to the Busan Conference held in Korea in 2011, a number of Development Ministers, including the Honourable Bev Oda, issued a joint statement that highlighted key priorities, including engagement with the private sector:

“We believe the key priorities for Busan are focusing on better development results, increasing transparency, strengthening democratic governance and accountability, mobilizing the potential contributions of the private sector and other actors to development effectiveness, and finding new ways to engage fragile and conflict affected states.”

Source: Busan High Level Forum: Joint Statement by Development Ministers: <http://www.acdi-cida.gc.ca/acdi-cida/ACDI-CIDA.nsf/eng/NAT-11298147-HJD>.

<sup>24</sup> Claessens, Stijn and Konstantinos Tzioumis. “Measuring firms’ access to finance.” Web. 27 June 2012. [http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/ClaessensEtal\\_MeasuringFirmAccess.pdf](http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/ClaessensEtal_MeasuringFirmAccess.pdf).

<sup>25</sup> IFC. “Doing Business – Economy Rankings.” Web. 27 June 2012. <http://www.doingbusiness.org/rankings>.

<sup>26</sup> Zhuang, Juzhong, Herath M. Gunatilake, et al., “Financial Sector Development, Economic Growth and Poverty Reduction: A Literature Review.” Web. 27 June 2012. [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1617022](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1617022).



## I.2 PDM-H SERVICES

In June 2009, Building Markets received funding from the Canadian International Development Agency (CIDA) for the Peace Dividend Marketplace-Haiti (PDM-H) project in Haiti and by August 2009 the project was up and running. A central office was established in Port-au-Prince, and business registrations in the capital and in rural departments began soon thereafter. Alongside this, a suite of services was established to help suppliers and buyers overcome the barriers to local procurement.

### I.2.1 SERVICES PROVIDED TO SUPPLIERS

The PDM-H **Tender Distribution Service** facilitates local business access to market opportunities by collecting and disseminating tenders and other business opportunities to registered local businesses. Tenders are shared through an Online Tender Directory, targeted e-mail and SMS notifications, and at PDM-H headquarters in Port-au-Prince.

This service was transferred to the Ministry of Commerce and Industry (MCI) in May 2012, after a six-month secondment of MCI staff at the project office. The online site is available on [www.haiti-tenders.org](http://www.haiti-tenders.org).

**Procurement Training** increases capacity and competition in the marketplace by improving supplier knowledge of business standards, procurement procedures, and contracting requirements. Specialized training is also offered.

This service was also transferred to the Ministry of Commerce and Industry (MCI) in May 2012, after a six-month secondment of MCI staff at the project office.

These services are designed to help SMEs access new business opportunities and become more competitive in the procurement process.

### I.2.2 SERVICES PROVIDED TO BUYERS

The PDM-H **Matchmaking Service** connects national and international buyers looking for goods and services in Haiti with verified local businesses that can meet their demands. The Matchmaking services includes providing customized reports for any given sector in the Haitian economy. Additional services such as site visits, the organization of vendor events, and networking opportunities were also facilitated through the organization of events attended by buyers and suppliers, promoting market linkages.

The **Online Supplier Directory** contains detailed profiles of domestic businesses searchable by sector and location. To ensure the integrity of our data, **Business Verification** takes place when a business is entered on to the Portal and then re-verified every six months. The Directory brings visibility to capable local businesses in Haiti that may otherwise be overlooked.

**Market Information and Advocacy** promotes the importance of "buying local" through Haiti First policy promotion, marketing and communication campaigns, events, and social media. Building Markets is a leader in accurately measuring local economic impact and providing market research to buyers. Building Markets' work includes economic impact analysis, job creation surveys, methodologies and guidance, and private sector overviews (see <http://buildingmarkets.org/our-impact/haiti>).

These services are designed to address the way that the international community operates in fragile states and builds linkages between procurement officers and local businesses. The model is flexible and in each location tailors its services according to demand, focusing on different sectors and addressing different priorities in its training sessions. Many lessons for this project were drawn from Timor-Leste, including outreach in rural areas, business verification approaches, engagement with NGOs, and results measurement.



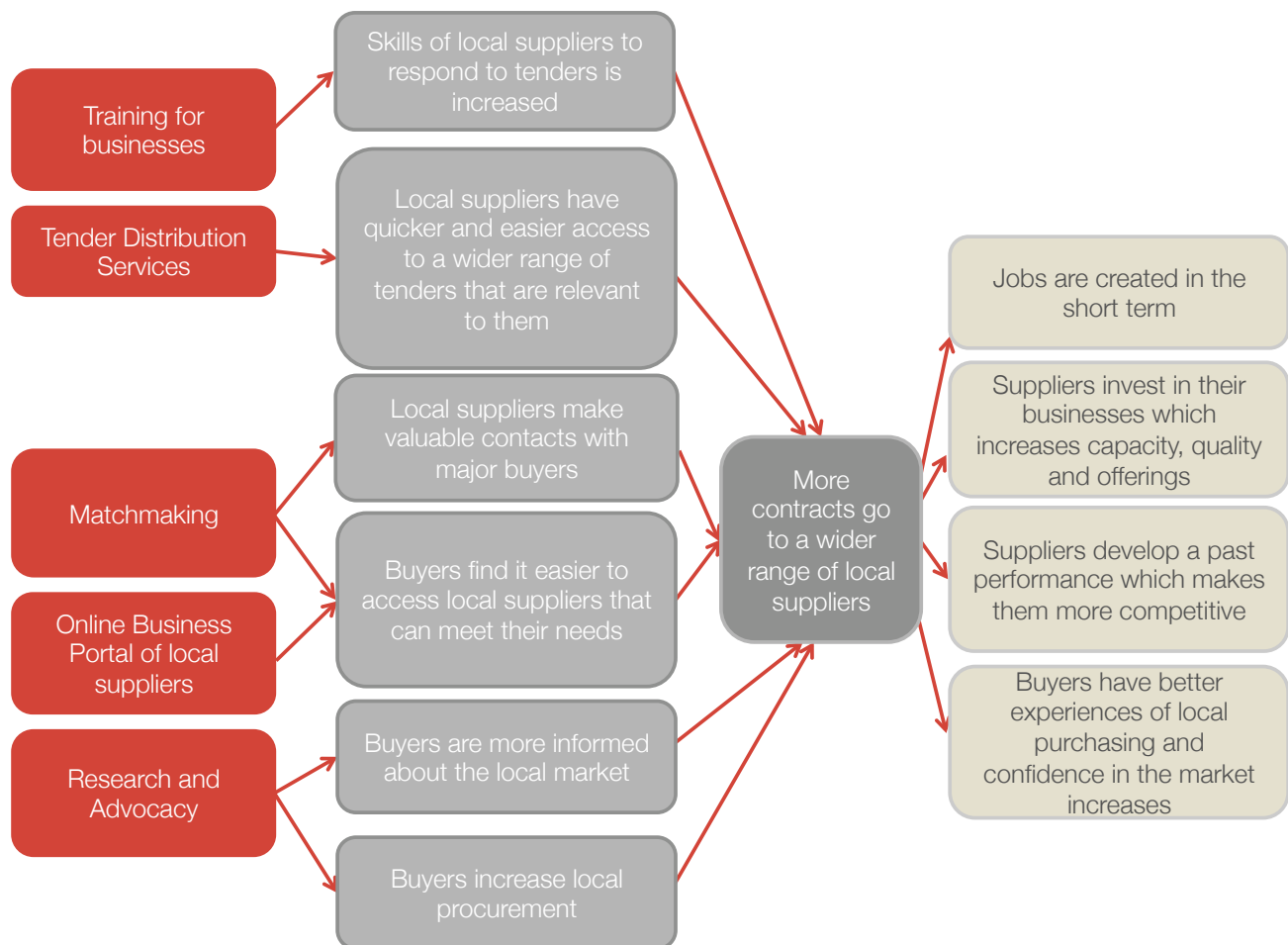
## I.3 BUILDING MARKETS'THEORY OF CHANGE

Figure 4 shows the theory of change underlying the services offered by this project and how they contribute to increasing local procurement and its impact. Overall, buyers find it easier to access local suppliers, while local suppliers increase their confidence and develop skills required to work with large buyers. The aim is to change market behavior as buyers are able to rely more on the local market and suppliers become better at competing for contracts.

When local businesses win contracts, labour inputs are required to deliver on those contracts, thus creating and sustaining local jobs. Businesses use profits to invest in physical and human capital, thereby increasing their ability to deliver more contracts in the future. Businesses are able to grow and acquire a track record of successful contract completion, which inspires more investment and confidence in the local market.

Local knowledge lies at the core of this model, and so the majority of PDM-H staff are recruited from the local community. This is the best way to build trust with the local business community and ensure that the services offered are responsive to local needs.

Figure 4: PDM-H Theory of Change



## I.5 STRUCTURE OF THIS REPORT

The first section of this report provided an overview of the situation in Haiti, as relevant to the impact of the PDM-H project. Section 2 gives an overview of the sources of the data presented in the report and highlights the key limitations of the data. Section 3 continues by considering the direct impact of each of the PDM-H services, prominence is given to the Training and Tender Distribution Services (TDS) - our services with the highest impact and those that are being taken over by MCI. The aim of each of the PDM-H services is to facilitate contracts between local businesses and international organisations. While we track the number and value of contracts to assess the magnitude of our impact, we are not interested in the contracts as an end in themselves. Section 4 goes on to describe the contracts facilitated by PDM-H by considering how these contracts have affected SMEs, female entrepreneurs, created jobs and made local businesses more sustainable. Section 5 concludes with recommendations for the Government of Haiti and the international community.

## 2. SOURCES OF DATA & LIMITATIONS

In order to record that a Haitian business has won a contract with the help of PDM-H services, feedback on that contract must be received through one of the surveys we have carried out with suppliers, directly from buyers and suppliers at meetings, at events, or by email.<sup>27</sup> The following is a list of data collection methods:

- Impact survey 1: face-to-face survey with suppliers in Port-au-Prince with whom buyers reported as having won contracts with the help of PDM-H services.
- Impact survey 2: telephone survey of suppliers that have attended PDM-H procurement training sessions.
- Buyer survey: face-to-face survey with 10 buyers that regularly use PDM-H services.
- Feedback from buyers: regularly solicited feedback from buyers that use the Matchmaking service, procurement training, or the Online Supplier Directory.
- Qualitative feedback: comments received directly from buyers and suppliers at meetings, events, or by email.

More technical details on the three surveys can be found in Annex 1.

There are a number of limitations that must be considered when performing surveys and collecting feedback. The data presented herein is self-reported and therefore much of it is based on the perceptions of the buyers and suppliers it is collected from. This approach is taken because requesting documentary evidence increases the burden of surveying and reduces levels of cooperation. For many reasons, from poor record-keeping to fears that data will be given to tax authorities, to time-constraints and staff rotations, the information reported may not be accurate. This means that all data presented in this report should be considered estimates rather than as representing exact values. A more detailed discussion of the errors arising when we record contracts facilitated can be found in Box 3, Section 4.

In addition, it should be emphasized that the data collected and reported is intended to represent what has happened during the course of the project. It does not reveal a counterfactual - what would have happened without the project services being offered. As such, Building Markets does not claim credit for each of the contracts it has facilitated (see Box 2 for definition of a “facilitation” used in this report) and does not claim that the

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<sup>27</sup> A more detailed description of survey methodologies can be found in Annex 1.

positive impact of the contracts, from job creation to increased stability, is solely due to PDM-H's efforts. It is the local supplier that has won the contract that can claim most credit. The objective of collecting this data is to understand the impact of contracts in Haiti that are limited to the PDM-H project services.

### Box 2: Facilitation - a note on language

In this report we use the word “facilitate” to indicate where one of PDM-H's services has played a role in the award of a contract to a Haitian business by an international buyer. This includes:

- a contract that a business attributes at least in part to PDM-H training
- a contract won after a business learned about the opportunity through our Tender Distribution Service.
- a contract awarded to a business found through the Business Portal
- a contract awarded to a business found through the Matchmaking service

The term “facilitate” is not intended to imply that Building Markets has played a role in negotiating or setting the terms of a contract.

Building Markets recognizes that constructing a counterfactual is key to being able to quantify its impact. However, it is very challenging to build a control group of companies for two main reasons:

1. Building Markets aims to effect change across the economy, encouraging spill-over effects within the marketplace. Therefore defining a group of companies or buyers that would be excluded, for example, from the Business Portal for monitoring purposes would be entirely at odds and counterproductive to this mission.
2. Companies are often reluctant to share procurement data, as this is typically considered commercially sensitive. Therefore, Building Markets relies on the goodwill established through the use of its services to obtain such data. Companies that do not benefit from project services are very unlikely to share procurement data, and the effort required to build this independent control group would be quite costly.

Building Markets is currently considering a range of methodological options in discussion with academics and evaluation experts for addressing this challenge in its future operations.

## MEASURING IMPACT: CHALLENGES IDENTIFIED BY THE INTERNATIONAL FINANCE CORPORATION (IFC)

Many organizations share the challenge of measuring the impact of linkage activities. The IFC identified this challenge and explained it like this:

“Business linkage activities can be difficult to monitor and evaluate for a variety of reasons. One problem is choosing appropriate metrics, of both business and development impact. Another is distinguishing between output metrics (such as the number of local contracts awarded) and outcome metrics (such as the increase in per capita income attributable to a linkage program). From a development perspective, the latter are more meaningful, but also much harder to evaluate. Complexity and the lack of a counterfactual – the inability to know what would have happened in the absence of a linkage program – complicate the task of establishing causality. In addition, many of the impacts occur over the long term, while stakeholders such as funders, communities, NGOs, and business managers often have shorter time horizons.”

Source: Akhalkatsi, Anna, Gardiner, Amanda, Jenkins, Beth, and Roberts, Brad (2007), “Building Linkages: Lessons, Opportunities and Challenges”, IFC, International Business Leaders Forum, and the Fellows of Harvard College, page 14.

## 3. DIRECT IMPACT OF PDM-H SERVICES

Each of the PDM-H services targets barriers to local procurement. This section looks at how these services either allow local suppliers to access contracts or allow large buyers to find Haitian firms that can meet their requirements.

### 3.1 PROCUREMENT TRAINING

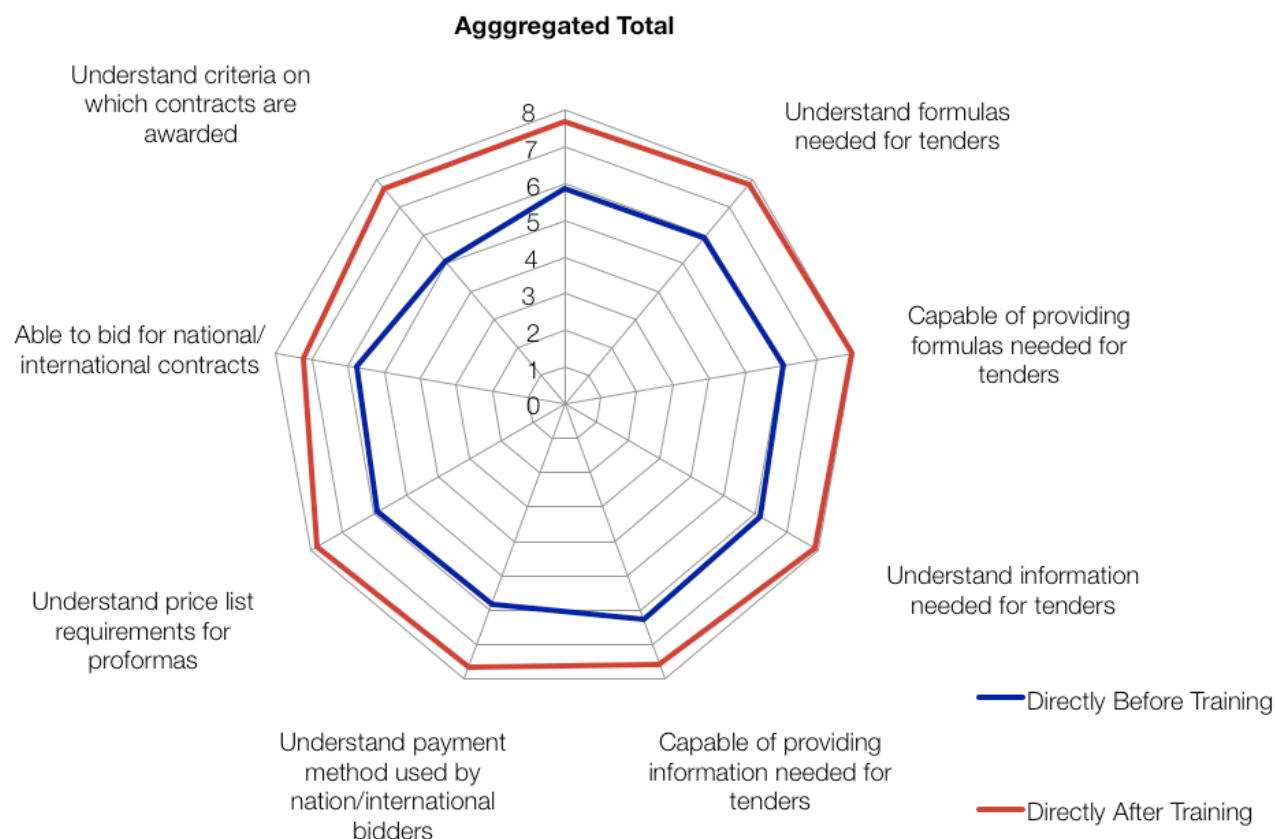
Training sessions are intended to increase suppliers' knowledge of, and their ability to participate in, the procurement procedures of NGOs and national and international agencies. Over 1,000 Haitian businesses have attended PDM-H's free procurement training sessions. Procurement training sessions for suppliers have increased the understanding and ability of Haitian businesses to negotiate the procurement processes of both national and international buyers. As a result, the skill of local suppliers to respond to, and successfully bid for, tenders has increased. Many buyers emphasized businesses' need for training.



Above: A Building Markets training for women-owned businesses held in January 2012. Copyright: Mariana Keller/Building Markets

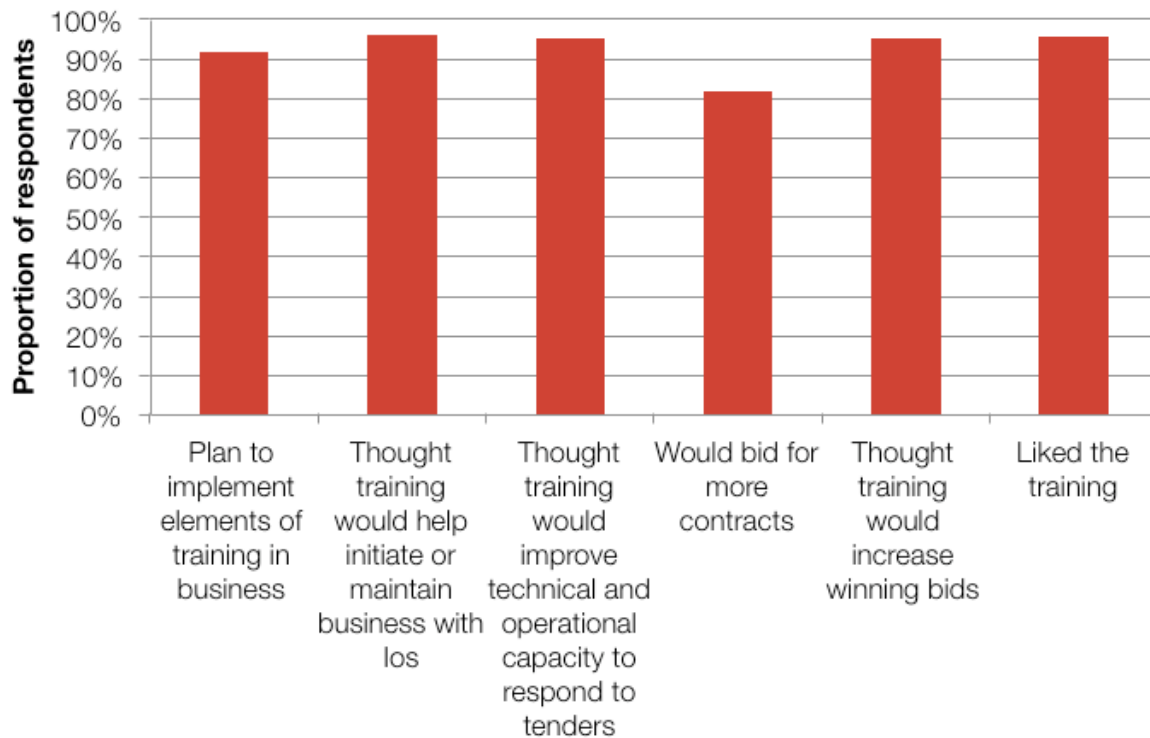
From September 2011 to April 2012, businesses were asked to assess their understanding of different elements of the procurement process before and after the training. Figure 5 shows the survey results, which demonstrate across-the-board knowledge increases in key aspects of the tendering process.

Figure 5: Tender comprehension before and after training



The gains in knowledge have a long-term effect on SMEs. The 266 businesses surveyed three months to a year after training reported similar knowledge increases. This increase in understanding translated into 82% of businesses bidding for an increased number of contracts after receiving training. Ninety-five percent of training participants felt that the quality of their bids and their ability to form and keep relations with international organizations had improved. Most importantly, 95% of participants felt that the procurement training would help them win contracts with national and international organizations.

Figure 6: Post-training questionnaire



Above: Blaguince Clitus giving a training session at the Ministry of Commerce and Industry

These increases in technical knowledge contributed to trained businesses winning 34 contracts worth an estimated \$2,712,400. Businesses that won contracts represent over 20% of SMEs interviewed about the impact of training services in Impact Survey 2. One company, Gerly Distribution, won over half a million dollars in contracts from four international organizations, and its owner, Yvette Marsan, attributed that success to the training she received from PDM-H (see associated case study).

In complement to general procurement training, specialized training sessions were hosted jointly with organizations such as the World Bank, the UN, and the International Organization for Migration, in order to demonstrate to local businesses how to apply general procurement principles to the specific aspects of an individual organization's procurement procedures.



## Case Study: Gerly Distribution finds its way to international customers

Founded in 1998 by agronomist Yvette Marsan, Gerly Distribution always had a reputation for high-quality products and impeccable service. The company sells agricultural products; seeds, fertilizers, feed and veterinary products, and machinery throughout Haiti. But until recently, Gerly lacked one important thing: contracts with international organizations. “I knew we had the items the buyers wanted, but we needed to show them that in the proper way,” explained Marsan.

Marsan addressed the problem by attending training sessions and then networking events with PDM-H project, all designed to teach companies about international contracting procedures and then put them in touch with potential customers.

“I learned all the nuances of international contracts; what was required, how certain information should be presented,” she explained. “There are a lot of differences between local and international tenders...I immediately saw what I was doing wrong, and made the necessary adjustments.”

It didn’t take long for Marsan to get results—to date, over half a million dollars in contracts with five different international organizations. Recently, Gerly Distribution, which is based in Les Cayes, has been busy meeting the demands of a contract to provide \$6,000 worth of beans per month to Finn Church Aid. Gerly has also won contracts with USAID, the German Red Cross, Oxfam Quebec, and the Taiwan Technical Mission.

“USAID has one of the most complex tender applications, but because of [PDM-H] I was able to not only complete it, but win the bid,” Marsan said. “After that, there was no stopping me! Gerly has been able to grow and prosper.”



Above: Yvette Marsan, third from left at the front table at PDM-H's Networking Event for Women Entrepreneurs in March 2012.

Buyers interviewed by the project team in May and June 2012 discussed the benefits of the training services, highlighting that it raises the quality of the bid submissions they receive from Haitian businesses. Sabine Cordelle, Concern's procurement manager in Haiti, said: "Oftentimes businesses in poor countries don't understand contracts or legal documents. People need to understand the constraints on both sides. Building Markets should be mandatory everywhere where there is a concentration of NGOs." The procurement training teaches businesses how to accurately fill out tendering forms and supporting documents, which in turn increases the likelihood that they will be selected in the bidding process.

Procurement officers familiar with this project service often recommend that Haitian businesses attend the procurement training sessions. Jean Fritz, a UNOPS procurement officer, regularly directs businesses to the procurement training sessions, which are provided free of charge to reach the widest audience of SMEs.

UNDP participated in a training event geared specifically to teach suppliers how to bid on its projects. Oxana Chicuc, a UNDP procurement specialist, noted that after the training session, her team received more local bids than it had been receiving before the training session was held.

The procurement training service was transferred to the MCI in May 2012, so that businesses in Haiti can continue to access training opportunities related to procurement after the end of CIDA funding to the PDM-H project on 30 June 2012. This continuous access to training will help raise the capacity of local businesses and make it easier for buyers to buy local. It will also help MCI to achieve its mandate of supporting entrepreneurs and the SME sector by providing value-added services.

Blaguince Clitus, who will lead the training program at the Ministry, was seconded to the PDM-H project team for six months. He felt that his time with PDM-H made a real difference to his work, "I find myself in an environment where I am learning a lot in terms of how to help people develop their entrepreneurial capacity. I am certain that this experience will be very beneficial to the Ministry."<sup>28</sup>

## 3.2 TENDER DISTRIBUTION SERVICES

Another obstacle for Haitian businesses accessing opportunities with international organizations has been the lack of a centralized registry of tenders. Before the PDM-H project started in Haiti, tenders were published in various daily newspapers, private and public websites, and distributed through mass emails. Haitian businesses had to look in dozens of different places to identify potential business opportunities. This decentralized aspect of distribution resulted in companies missing business opportunities as well as losing time by searching for tenders from all these different mediums. As MGR Papeterie owner Marly Nadine Michel explains: "Before [PDM-H], it used to be nearly impossible to find tenders—there was no central place they were published, so you'd be looking through stacks of newspapers, and by the time you found them, the deadline would have passed."

In order to address this problem and facilitate local business access to market opportunities, the Tender Distribution Service (TDS) was established. TDS collects and disseminates tenders and other business opportunities to registered local businesses. Tenders are shared through an Online Tender Directory (shown below) as well as targeted e-mail and SMS notifications. The TDS is maintained by staff members in Port-au-Prince, and updated daily.

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<sup>28</sup> Salim Loxley, and Ainsley Butler. "Annex C" Peace Dividend Marketplace-Haiti – Rapport semestriel du 1er avril 2011 au 30 septembre 2011. (2011).

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APPELS D'OFFRES LES PLUS RÉCENTS			
ACHETEUR	SECTEUR	EMPLACEMENT	LA DATE DE CLÔTURE
UMCOR	Conception et architecture, Rénovation et réparation, Construction et rénovation	Toutes les régions	Friday, August 3, 2012 - 16:00
UMCOR	Canalisation, pont, ponceau, Conception et architecture, Construction de building, Construction de route, Construction et rénovation	Toutes les régions	Friday, August 3, 2012 - 16:00
UMCOR	Formation, Planification d'activités, Service de consultation, Services consultatifs de gestion, Services et équipements éducatifs, Affaires et services de consultation	Toutes les régions	Friday, August 3, 2012 - 16:00

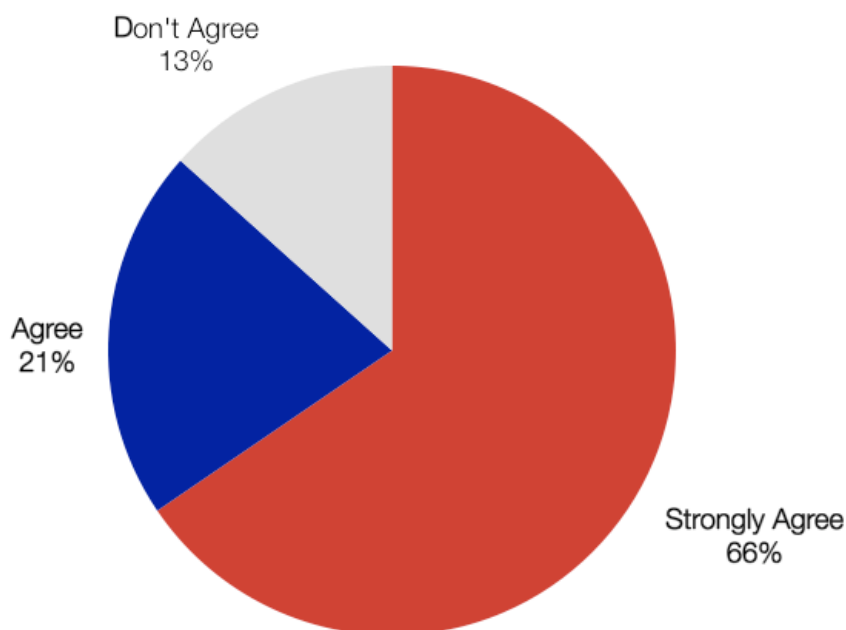
Above: Screenshot of the Ministry of Commerce and Industry's Tender Directory. Tenders are shared online with registered businesses online, by e-mail and SMS notification.

Due to the TDS, awareness of current business opportunities has increased: in a survey of 142 businesses,<sup>29</sup> 87% said that they found tenders on the TDS that they couldn't find elsewhere.

PDM-H developed a stand-alone tender directory, which was transferred to the MCI on 11 May 2012. This website includes all the functionalities of PDM-H's Online Tender Directory, with two enhancements - an interface that is more intuitive and easy to use, and subscription based notifications that allow users to receive targeted SMS and email notifications based on individual preference. When a user registers on this website, they are able to select locations (regions or cities) and business sectors that are of interest. Registered users are also able to select their preferred method of being notified (email, SMS or both) when signing up for an account. Users can are able to change their notification preferences (location and sector subscriptions), delete their user account, or stop receiving notifications at any time. When new business opportunities are posted on the website in these locations or sectors, registered users receive a notification of these opportunities via email, SMS, or both. This website can be accessed at: [www.haiti-tenders.org](http://www.haiti-tenders.org).

<sup>29</sup> This data is extracted from the businesses that participated in the two impact assessment surveys and that had visited the tender distribution service page on the business portal.

Figure 7: Haitian businesses' point of view that tenders found on the TDS are not found elsewhere



TDS helps companies to understand better the demand for their goods and services. Ninety-four percent said that the TDS had helped their business. Metacool, a Haitian company that distributes and installs air conditioners, used the TDS because it allowed them to save time and know that they were “not missing any opportunities.” As a result of the TDS, Metacool won contracts with the United Nations Development Program, the German Technical Cooperation (GIZ), and the Haitian Ministry of Justice.

PDM-H’s Tender Distribution has thus increased access to business opportunities for Haitian companies, saving them time and effort while making sure that all available information is available at any time to all registered companies. The PDM-H team has received feedback from Haitian companies and international buyers on 209 contracts worth an estimated \$18,255,441, won with the help of the TDS. This represents only 19% of all tenders distributed by the project. Ninety percent of businesses felt that the TDS was simple to use, a good indicator of the services’ utility and sustainability.

The positive benefits of TDS extend to the national and international organizations posting tenders. Two advantages cited are the ease of use and cost effectiveness. All of the 10 buyers interviewed have used the service at least once, indicating that it has been a contributing factor to increasing their local procurement. Two organizations, Chemonics and the UNOPS, have made it policy to send all tenders through the TDS, as it ensures they are reaching local businesses. As Justin Kosoris, Chemonics’ procurement officer, stated “It makes sure anyone who wants to bid, can bid.”

Increasing the transparency of international organizations’ tendering processes was also a key benefit to using the TDS. By posting a tender online, organizations can assure their donors and the local business community that bids are available to the local businesses. The UNDP emphasized this point, “Oftentimes we hear from vendors, ‘Oh, we didn’t know about that tender’. But we can now say it was posted on Building Markets’ site and available to everyone.”

## Case Study: A business that transformed two lives



Since Haiti's devastating earthquake in January 2010, MGR Papeterie has been a tale of two determined women whose paths crossed as they struggled to succeed.

Seriously injured by falling concrete, University of Port-au-Prince student Michaela Faustin could not get medical treatment for four days and had her gangrenous arm amputated.

"I had to wait eight months for a prosthetic, and then it took two months of intense physical therapy to learn how to use it," the 27-year old Faustin explained. "On top of that, I wanted to finish up my schoolwork and I needed money to pay my tuition."

At the same time, MGR Papeterie owner Marly Nadine Michel, a single mother of five, struggled after the quake to sort out her two-year old business, which represented her life savings and sole source of income. Her long-time customers vanished as Haitians struggled for months to cobble together the basic necessities of life.

Michel did manage to find PDM-H, registering her company on the online Directory and taking training courses on how to bid on projects financed by international organizations. It was a move that helped rescue her struggling enterprise. By accessing tenders on the PDM-H website, Michel has won contracts from UNICEF, the French Agency for Development, and Haiti's Ministry of Education to provide office supplies and furniture.

"It is directly because of PDM-H that we have been able to secure over half a million dollars in contracts," Michel said. "It used to be nearly impossible to find tenders - there was no central place they were published, so you'd be looking through stacks of newspapers, and by the time you found them, the deadline would have passed."

Meeting the demands of those contracts meant hiring extra workers, which brings us back to Faustin, recommended to Michel by a family friend and now one of the company's best employees. (See above photo with Faustin on left)

"Michaela turned out to be the fastest of all of us at getting the work done for these contracts", Michel explained. "She developed this ingenious way of packing and processing with her prosthetic - she left all of us in her wake".

For her part, Faustin has used the money she earned from MGR Papeterie to resume her studies and will earn her accounting degree next year. "Some people have disabilities or an illness, other people don't," she said. "But for everyone, anything is possible, if only we are given the opportunity."

Above: MGR Papeterie owner Marly Nadine Michel (left) and employee, Michaela Faustin (right).



In February 2012, TDS implemented a mandatory registration to access the service. This required users to create an account in order to view tenders online or receive tender notifications by SMS or email. This was done to track usage and better enable the administering organization to tailor the service accordingly. This also allows, in the future, for the MCI, which took over the service in May 2012, to monitor usage and improve service delivery.

Because of the significant impact it has on the local economy, TDS was identified as a service to transfer to the Ministry of Commerce. Five MCI staff, including those that were seconded to PDM-H, were trained by the PDM-H project. Ongoing mentorship through June 2012 by outgoing PDM-H staff enforced this training ensured a smooth transition and a user manual was developed with all the necessary instructions and standard operation procedures for the ministry.

A ministry official recounts mid-way through this secondment with PDM-H: “In the two months I spent training at PDM-H, I learned a lot about procurement and tenders. I feel confident now in my ability to aid in the implementation of a Tender Distribution Service at the Ministry, as well as aid in the monitoring and training of other employees.”<sup>30</sup>

### 3.3 SUPPLIER DIRECTORY

The Online Supplier Directory is intended to increase buyers’ access to reliable information on the local market. In Haiti this has addressed a serious gap in knowledge about local businesses, making available additional information about local businesses that goes beyond information found in a standard business listing,<sup>31</sup> such as address and telephone number. In fact, over 25 data points are presented online to help procurement officers and others better understand the composition of the local business community.

Table 1 compares the PDM-H Supplier Directory to the two other business listings in Haiti. While other listings maintain a comprehensive database of businesses operating in Haiti, both formal and informal, only the PDM-H Supplier Directory provides verified assurance of Haitian ownership and compliance with tax and registration regulations, along with further details about businesses such as number of employees and whether they are women-owned. As a consequence, the PDM-H Supplier Directory is more labor-intensive and cannot be updated online by businesses themselves, due to the requirement for a physical site visit by a qualified business verification officer.

Table 1: Comparison of various business listings in Haiti

Database	Contact details & web address	Description of services offered	Haitian ownership	Past performance	Confirmation that business complies with tax and registration regulations	Size of business	Can be updated by the supplier
PDM-H	✓	✓	✓	Details of references	✓	✓	
HAITI Business	✓	✓		Star-rating system			✓
Pages PRO.ht	✓	✓		Star-rating system			✓

<sup>30</sup> Salim Loxley, and Ainsley Butler. “Annex C” Peace Dividend Marketplace-Haiti – Rapport semestriel du 1er avril 2011 au 30 septembre 2011. (2011),

<sup>31</sup> See for example, <http://haitibusiness.com>.



The PDM-H Supplier Directory contains detailed profiles of domestic businesses searchable by sector and location. To ensure the integrity of the data, each business must go through an in-person interview with a verification officer who makes sure that the business complies with the Government of Haiti's laws and regulations (e.g. the business is formally registered) and that the information presented in the businesses initial application is factual and an accurate representation of the business.

Once the business is verified, the call center re-verifies the information every six months to ensure it is still accurate and to eliminate errors that may have occurred in the original verification interview. A cross-checking of profiles by the verification team leader helps to identify errors, but it does not prevent all errors from occurring. The PDM-H Supplier Directory has brought visibility to numerous capable local businesses that may otherwise be overlooked. By the end of the project, there were 3,965 businesses listed on the Supplier Directory. By being listed on this Supplier Directory, businesses have won 1,025 contracts worth an estimated \$5,433,242. As the case study "PDM-H's Winning Formula: A Haitian Firm Exports Sea Cucumbers to China" shows, a listing on the Portal can lead to securing large contracts with foreign firms.

During the buyer survey that took place between May and June 2012, six of the ten buyers surveyed have used the Supplier Directory to assist with their procurement needs. One of the biggest benefits is that it helps buyers to regularly update their supplier lists – they can go on the Portal to find newly registered businesses operating in their desired location and sector. One procurement officer in Haiti requires his staff to check the Portal bimonthly to add businesses to their supplier list.

Architects for Humanity, an international NGO, noted that the PDM-H Directory offered the most professional and accurate business listing service available in Haiti, stating that it is much more "formal and sharp" than regular business listings.

### Registering suppliers on the Supplier Directory

1. The company is put in touch with PDM-H in one of the following ways:
  - 1.1. A buyer recommended the company be registered with PDM-H
  - 1.2. PDM-H is approached the company for registration
  - 1.3. The company heard about PDM-H services through an event, colleagues, or some other way
2. A business verification appointment is scheduled with one of PDM-H's Verification Associates.
3. The Verification Associate completes a site visit of the company's office and:
  - 3.1. Verifies the company operates out of a functional office
  - 3.2. Completes the business verification form that:
    - 3.2.1. Certifies that the business complies with Ministry of Commerce (MCI) and Haitian Tax Authority (DGI) regulations.
    - 3.2.2. Provides basic details on the business, including contact information and operational capacity
4. If the company meets the criteria mentioned above, it is considered registered
5. The Verification Associate either enters the company's profile into the Supplier Directory, or passes the form to the Data Entry Clerk to be entered (this is sometimes the case where there are internet access problems)
6. Once entered, the verification form is filed
7. Twice yearly the PDM-H Call Center calls all registered businesses to update their profile information.

Another benefit of the Supplier Directory is that it provides buyers with quick access to the providers of goods and services they need, without having to go through the longer tendering or matchmaking process, for example emergency buys. Earlier this year, before the Carnival festivities in February, UNOPS was helping the Ministry of Tourism find a supplier that could make t-shirts for the event. None of their regular vendors could meet the short timeframe, so the procurement team began searching for businesses via the Supplier Directory. There, they discovered a local business that was able to complete the order in one week, just in time for Carnival.

Due to the detailed information about Haitian businesses captured during the verification process, the Supplier Directory contains some of the most comprehensive information about the local private sector. For example, see Table 2 for a comparison of female-owned and managed firms with male-owned and managed firms.

Table 2: Comparison of female and male-owned and managed businesses using data from the Supplier Directory

	Female- owned businesses	Male- owned businesses	Female- managed businesses	Male-managed businesses
% of female employees	53	26	51	25
Average number of employees	14	22	17	22
% of businesses in Construction and Renovation sector	15	31	15	31
% of businesses in Restaurants and Catering sector	14	5	14	4
% of businesses in Business and Consulting Services sector	7	4	7	4

### 3.4 MATCHMAKING

PDM-H undertakes research for buyers with specific requirements and produces matchmaking reports containing detailed information about suppliers that can meet these requirements. As the case study below shows, these matchmaking reports can be invaluable in enabling international organizations to efficiently implement and execute critical programs throughout the country. In addition PDM-H, runs targeted matchmaking events where buyers and suppliers can meet and discuss requirements outside of the formal tendering process. These activities overcome the practical problems that buyers and suppliers face in finding each other—building relationships is challenging in Port-au-Prince where one meeting can take an entire day due to the city's overwhelming traffic congestion and other complicating factors.

Since 2009 PDM-H has produced 570 matchmaking reports, yet received feedback from buyers on 64 contracts (11%) awarded using these reports worth an estimated \$2,362,781.

Some buyers appreciate the level of attention that is spent on matchmaking requests, as well as the speed with which the requests are completed. Sabine Cordelle of Concern described the benefits to her project, "Concern has a supplier catalogue for local purchases, but conditions on the ground here change often... [so] I often contact PDM-H when I have a specific product that I need. I like the rapidity of response. When you have procedural constraints, as do most NGOs, it's important to have a neutral party like PDM-H that can help you find suppliers. That way, you don't have to call here and there to try and find this and that. When I called PDM-H once to locate suppliers who could provide drilling foam for a disaster preparedness project, I had an answer in two hours."

The UNDP also has been a strong advocate of the Matchmaking service. When PDM-H provided them with a list of relevant businesses for each purchase, they regularly expanded their supplier base. They also appreciated the specialized touch for each request, choosing to request matchmaking reports in addition to using the Supplier Directory.

Some organizations access the Matchmaking service when they have been unsuccessful in locating goods and services by other means. The procurement team for the French Red Cross used the Matchmaking service whenever they could not find something locally themselves. This was to ensure due diligence in-country before sourcing a product internationally.

### Case Study: PDM-H's winning formula: A Haitian firm exports sea cucumbers to China



Above: Sonac-Agricole owner Ernest Charles (second from left) and four fishermen of a fishing cooperative in the village of St. Louis de Sud. Copyright: Mariana Keller/Building Markets

After registering his company on the PDM-H – Haiti website in November 2010, Ernest Charles was contacted by a Hong Kong firm that imports sea cucumbers—a product Charles didn't even know existed when he opened his seafood export company in 2005.

*-Continued on next page*

## Case Study: PDM-H's winning formula: A Haitian firm exports sea cucumbers to China

*Continued* - But it was the lowly sea cucumber—and a little help from PDM-H—that helped turn Charles' struggling enterprise into a thriving business. Today Sonac-Agricole West Indies exports 10.5 tons of sea cucumbers per month to China, where they are ground and used in soups and as an herbal remedy.

"Thanks to PDM-H we were viewed by the Chinese importer we are working with as a credible firm, not just some guy with a website claiming to have this and that," Charles said. "Haiti can be a difficult environment for a foreign company, there is not a lot of structure. Companies need to feel that they are dealing with someone credible. We were viewed as having been screened by an international organization."

Haitian companies registered on the PDM-H website must be legally registered and must complete a rigorous multiple-question survey about their client base, sector, production capacity, export experience, and payment and contract procedures.

Charles' company had a promising start in 2005, but it turned sour the next year when its refrigeration system malfunctioned and a \$450,000 shipment of lobsters rotted before their eyes. Wiped out by the loss, unable to get financing and forced to lay off many workers, Charles thought about closing when an employee told him about sea cucumbers.

"He brought a sample, this slimy thing that I had never seen one in my life," Charles said. "But he explained that they're dried, not refrigerated, so there's less risk, and there's a large market for them in Asia if you can somehow tap into it." With an eye to saving his company, Charles and partner Wilson Altidor got to work. "We did a full-blown analysis, market research, price research, price matrix, and competitors. Regular people eat this, mostly in the north in China, it's a part of their culture."

Charles found clients, but at first Sonac-Agricole struggled with the learning curve to overcome quality issues. The cucumbers must be sufficiently dry, clean, and salted. Then they struggled to find reliable importers who would pay on time and in full. Financing became such a serious problem that Charles again faced bankruptcy in 2010.

That's when PDM-H came calling. "I was a little wary because many international organizations had come here before and made us promises. But PDM-H said, 'we are going to match you with clients, we are not going to give you anything,'" Charles recalled. "Three weeks later I got a call from a guy from China." And it wasn't just any company, it was Wampin Seafoods, which has a major share of the sea cucumber market in China.

Sonac-Agricole directly employs 20 workers, but Charles takes particular prides that his firm works with 50 fishing cooperatives from all over Haiti. Each co-op has about 100 members roughly split between men who do the fishing and women who do the cleaning. In addition, his firm is a major buyer of salt because drying every 3.5 tons of sea cucumber requires 1 ton of salt.

"At the end of the day I'm just one piece of the puzzle in Haiti. But it's also much bigger than that," Charles said. "Multiplie the effect of what my firm is doing and see what the numbers tell you. This is a winning formula for foreign aid."

## Case Study: Technical Mission of Taiwan buys local

Yang Feng-Hsu started buying local over a year ago, and he couldn't be happier with the results. "The benefits to our projects and the Haitian agribusiness sector have been huge," the project manager for Mission Technique de Taiwan emphasizes.

"Before Mission Technique discovered PDM-H, we had to import all of our heavy machinery and equipment from Asia." The Mission, which has run agricultural and food development programs in Haiti since 1969, ended up spending months waiting for items to arrive. The lag-time slowed down their productivity and project completion times.



It also affected the Mission's attempts at sustainability. "All of our projects end up getting turned over to our Haitian counterparts at the end of completion," Yang explains. "When the machinery was coming in from Asia, the transfer process was very complicated. You had instructions in Chinese, and you had parts that could only be ordered from Asia. This created a very messy supply chain that could potentially cause a project to be stopped or seriously delayed."

Finding PDM-H changed all that. Yang explains: "As Taiwanese, we were more familiar with the models and brands available in Asia. Coming into Haiti, we needed a partner who could tell us what the equivalent items were here, and as well as where we could source them from. PDM-H's matchmaking team turned out to be an excellent resource—helping us find exactly what we needed in a timely fashion from local businesses. This allowed us to buy quality equipment from trusted suppliers. It also gave us in-country resources should issues arise with any of the equipment, or if replacement parts were needed. And it made it much more sustainable in the long run."

For example, PDM-H helped Mission Technique locate a KUBOTA 35 HP Tractor (see photo) and a Vikyno 12 HP Tractor, which were used for the group's Rice Production and Marketing Project in the southern village of Torbeck. The machinery was used to help increase the output of local rice, thus improving the living standards of Haitian farmers. The machinery also helped in improving standards of cultivation technology, making the farms more productive.

As Yang explains: "The mission of the International Cooperation and Development Fund, which funds Mission Technique, is to boost socio-economic development and enhance human resources. A Buy Local Policy, coupled with PDM-H's expertise, allowed us, and continues to allow us to accomplish this goal". Although the Matchmaking service ended in May 2012, we are confident that Mission Technique will continue to purchase goods and services in Haiti.

## 3.5 COMMUNICATIONS, OUTREACH & RESEARCH

PDM-H events have been held in 6 out of 10 departments of Haiti. Haiti needs to encourage growth outside of Port-au-Prince, therefore these activities are complimentary to the Government of Haiti's decentralization strategy<sup>3233</sup>. These are rare opportunities available to rural businesses to directly interface with buyers and learn about requirements for goods and services, how to perform better directly from the source, while increasing exposure to procurement in the departments.

PDM-H's promotion of Haitian SMEs is anchored by the project's Communications and Advocacy efforts. Under the guidance of the Communications Team, the project has benefited from consistent news coverage of project events, including several full-page articles in the country's leading newspaper *Le Nouvelliste* and dozens of radio and television interviews in Port-au-Prince and throughout the country, including the provincial cities of Jacmel, St Marc, Gonaives, and Port-de-Paix.

This coverage of the project activities is continued online, where a steady flow of blog articles highlight the varied and comprehensive nature of the PDM-H project. The PDM-H website, which has been visited almost 300,000 times, contains over 100 blog articles in French and English. These include cross-sector success stories that highlight not only the work of the project, but numerous Haitian businesses. These articles are often picked up by other NGOs, Haitian and international media, Haitian and international bloggers, and other relevant actors in Haiti and the development sector, promoting a steady flow of awareness and exchange about local procurement and business activities in Haiti. Furthermore, a monthly newsletter is sent out to a contact list of 5,000 persons from international organizations, SMEs, and Haitian government officials.

The website is only one way of communicating with the business community in Haiti. To ensure that businesses without reliable Internet access learn about the services offered, PDM-H spreads its message on videos, radio ads, and billboards positioned in strategic locations throughout Port-au-Prince. Bags, calendars, cards, brochures, flyers, and t-shirts are additionally distributed to key persons and the general public in order to more fully promote the project activities. In total, over 100 different activities to support the marketing campaign have been developed.

**“Above all, we congratulate PDM-H who, through this initiative, support the hopes of countless female entrepreneurs. The PDM-H slogan, *Buy Local, Buld Haiti*, is now very familiar to us; it reflects a different vision, a different approach that the Ministry of Industry and Commerce fully supports.”**

(Translation from French) Marie Pascale Théodate, Representative, Ministry of Commerce and Industry. Speech on 28 March 2012.

Outreach and networking events further promote and advocate for the Haitian private sector. Since arriving in Haiti, PDM-H has spearheaded or co-hosted over 50 events. These have included the Food Expo (October 2011), the Canadian Embassy Travel Fair (October 2011), an Artisan Fair (October 2011), Haiti's first ever Global Entrepreneurship Day (November 2011), Women Entrepreneur Networking Events (March 2011 and March 2012), and the Buy Local Networking Events with Partners Worldwide (January 2011, January 2012). All of these events have attracted nearly 2,000 Haitian businesses, 800 of which were women-owned. Major players from the Haitian government, various NGOs, and Haiti's business sector additionally frequented these events, as well as the general public. All of these communications and advocacy initiatives raise the profile of local Haitian businesses. During the buyer survey in May 2012, UNDP credited PDM-H for “definitely having an impact on their procurement philosophy.” UNDP stated that it was now buying locally as much as possible. At the Food Expo, 100% of the businesses surveyed felt that their ability to gain contracts had increased, and the

<sup>32</sup> Haiti Libre. “Haiti – Politic : Community Based Decentralization Program,” Web. 27 June 2012.

<http://www.haitilibre.com/en/news-5170-haiti-politic-community-based-decentralization-program.html>.

<sup>33</sup> U.S. Department of State (2011), “Haiti: One Year Later”, Web. 27 June 2012. <http://www.state.gov/s/hsc/rls/154255.htm#strategy>.



number one suggestion at Haiti's first ever Global Entrepreneurship Day was for more events of this kind to be staged in Haiti. Global Entrepreneurship Day also allowed university students from 10 of Haiti's top schools to meet other like-minded individuals, as well as already successful entrepreneurs. One highlight identified by the survey was the motivational speech by successful Haitian businessman Mathias Pierre, as well as that of one of his young prodigies. The case study below describes details about PDM-H's Second Annual Women's Networking Event, held in March 2012.

Several international organizations highlighted the effectiveness and the necessity of events hosted by PDM-H during the buyer interviews, particularly noting the matchmaking and networking events. Both the French Red Cross and Architects for Humanity attended the Second Annual Women's Networking Event in March 2012, where they were able to meet new suppliers to source from. Mission Taiwan Technique said that in attending the Food Expo it met new potential customers for the farmers they support.

PDM-H has undertaken research into the local private sector in order to understand more deeply the barriers to and effects of local procurement. Research has included reports on the construction and agribusiness sectors. In addition, short briefing notes were produced to give buyers vital information about the local market. This work has raised the profile of local businesses and helped PDM-H to tailor its services more directly to the needs of businesses in those sectors. It is also reassuring, Architects for Humanity's Martine Theodore states, "that someone is taking businesses in Haiti seriously and that they are gaining credibility. [The construction sector report] was very helpful because it was the first time I've seen any research done from a real business angle."

The findings of the construction report highlighted areas where NGOs and local businesses needed more dialogue. In May 2012, PDM-H hosted a construction sector roundtable that was attended by approximately 20 members of the local business community and NGO procurement departments. A central idea emanating from the discussion was the need for an association of Haitian businesses that could leverage smaller enterprises to bid on and win international contracts. Three of the procurement officers in attendance were interviewed in the buyer survey and all stressed the importance of the event, as it was the first platform where businesses and NGOs could speak collaboratively and address barriers to local procurement and the expansion of SMEs.

Information about the Haitian market is also valuable at a policy level and is regularly cited by policy advocates in favor of local procurement or to better understand Haitian SMEs.<sup>34</sup> Vijaya Ramachandran, Senior Fellow at the Center for Global Development explains that this research is helpful: "Building Markets' research has been extremely useful for understanding both how best to support the Haitian businesses and the impact of NGOs on the local private sector. In a country where reliable information is hard to come by, Building Markets succeeds in shedding light on issues that are critical to the growth of Haiti's economy."

### Case Study: Networking event for women entrepreneurs links businesses and buyers in Haiti

The second annual Networking Event for Women Entrepreneurs showed that interest among buyers and suppliers continues on the rise as Haiti's business community seeks out customers and the international community looks to buy local goods and services.

More than 60 businesses attended the event on 28 March 2012, many with brochures or samples of their products and services. Representatives from NGO organizations circulated from table to table explaining their procurement needs and processes, while listening to pitches from women entrepreneurs with businesses ranging from office supplies to hardware stores, engineering services, cleaning products, and handicrafts.

*-Continued on next page*

<sup>34</sup> See, for example, Center for Economic Policy Research's 'Haiti Watch' blog <http://www.cepr.net/index.php/blogs/relief-and-reconstruction-watch/pdt-survey-looks-at-efforts-to-improve-and-increase-local-procurement>.

## Case Study: Networking event for women entrepreneurs links businesses and buyers in Haiti



*Continued* - Officials from the Ministry of Commerce and Industry and the Ministry of Women's Affairs voiced their support. Digicel came looking to strengthen the participation of women in its next Entrepreneur of the Year initiative. The Association Nationale des Femmes d'Affaires d'Haïti—an organization of women entrepreneurs established in 2012 with support from the PDM-H team - outlined its plans to promote local products.

Media coverage included a [major article](#) in Haiti's leading newspaper, *Le Nouvelliste*, four television broadcasts, and reports on numerous radio stations. "Exchanging business cards, identifying market opportunities, the women entrepreneurs spent the day talking business," read *Le Nouvelliste* article.

Participating NGOs included Architecture for Humanity, Catholic Relief Services, Chemonics, Croix-Rouge Française, International Rescue Committee, Mercy Corps, UMCOR, and Viva Rio.

"Our primary goal is to revitalize the economy of Haiti, and that's why we're here," said Henri Dupont from Architecture for Humanity (pictured above with an entrepreneur). "You can tell the business people here are eager to do business. They just don't always know the ropes in working with international organizations."

Marie Pascale Théodate of the Ministry of Commerce and Industry, PDM-H's partner organization, noted that while women entrepreneurs are active in small-scale commerce in Haiti, they remain a minority in the productive sectors. The result, she lamented, is that "the contribution of women entrepreneurs to the creation of wealth and value-added in the Haitian economy remains weak."

Théodate gave tribute to the women entrepreneurs in attendance for "affirming their creativity and their emancipation in the face of the heavy financial, economic and family burdens they have to deal with on a daily basis."

For Agnes Zamor of Groupe Optimum, a Haitian firm that provides social services and health-related products, the event represented an opportunity to focus on specific potential buyers. Since attending a procurement training session about the contracting procedures of NGOs, Zamor has started submitting bids but has yet to land a contract. "This event enables us to talk directly with the NGOs that interest us, the ones that are looking for what we have to offer," she explained.

Of the 3,965 businesses registered on the PDM-H website, 972, or 25% are managed or owned by women. Thirty percent of the total number of employees of the 3,965 registered firms are women.

Above: PDM-H Country Director Segolene d'Herlincourt (center) with Marie Shela of the Ministry of Women's Affairs (left) and Marie Pascale Théodate of the Ministry of Commerce and Industry (right)

## 4. THE IMPACT OF LOCAL PROCUREMENT

Each of the services provided by PDM-H is aimed at increasing business activity within Haiti. As a measure of how successful these services are, we track the number and value of contracts facilitated. These contracts are not an end; the important aspect of these contracts is whether they generate jobs and help to make local businesses more sustainable by allowing them to invest in themselves, build up a track record, and increase buyers' confidence in the local market, which ensures the sustainability of local procurement.

The previous section looked at the immediate impact of each PDM-H service in Haiti. This section starts with a brief summary of contracts won by businesses with the help of these services and then moves on to consider the broader impact of these contracts. The impact on job creation and sustainability of businesses is discussed, followed by the impact of these contracts specifically for women.

### 4.1 OVERVIEW OF CONTRACTS FACILITATED

#### 4.1.1 SOURCES OF CONTRACT INFORMATION

Contract-related data is recorded when it is reported by buyers and suppliers. If a contract is reported by a supplier, but the supplier does not think that a PDM-H service helped it to win the contract, then the contract is not added to PDM-H records. However, if a buyer reports that it awarded a contract to a local supplier due to PDM-H services, this contract amount is counted, even if the supplier does not think that PDM-H services helped it to win the contract. Because the PDM-H project did not have access to third-party data to further validate these contracts, our records have a margin of error as described in Box 3.

#### 4.1.2 NUMBER AND VALUE OF CONTRACTS

In total, 1,332 contracts were reported to the project team in Haiti from August 2009 to May 2012, valued at \$28.7 million. While all contracts reported have been confirmed by a buyer or a supplier, errors in recording can still occur, while PDM-H may not have played a role in all contracts recorded. As well as adjusting values based on previous error rates, Table 3 breaks down the value of contracts according to how certain we can be that PDM-H services facilitated that contract. The highest certainty is given to contracts that have been confirmed by both buyers and suppliers. The lowest certainty is given to contracts reported by buyers to be facilitated through the Supplier Directory, as historically this is where the greatest number of errors are found.

Table 3: Categories of contracts facilitated

Category of contract	Number of contracts	Value of contracts
Confirmed by buyer and supplier	101	\$6,463,682
Confirmed by supplier	151	\$11,063,748
Confirmed by the buyer as facilitated through the Supplier Directory	944	\$2,136,329
Confirmed by buyer for Tender Distribution Service, training, and matchmaking services	136	\$9,100,105

Contract-winners surveyed in the impact surveys were asked the extent to which PDM-H helped them win that contract. As Figure 8 shows, 80% of contract-winners felt that the PDM-H services had been very helpful. It is important to note that this data is based on the perception of businesses interviewed and is not objective data. Due to the challenges of establishing a counterfactual for the impact of this project, PDM-H has had to rely on

the perceptions of buyers and suppliers when considering the importance of the role of services provided in facilitating contracts (see Section 2 of this report for more details).

### Box 3: A note on accuracy

#### **Errors in recording contracts**

Errors can occur in the PDM-H list of confirmed contracts if the value of the contract is entered wrongly, or if the agreement between a buyer and supplier is altered or cancelled.

We know something about the accuracy of our records in Haiti from an extensive survey carried out with contract winners from October 2011 to January 2012. PDM-H was able to survey businesses about contracts initially valued at a total value of \$10,657,876, representing 152 unique contracts. During this review, 8 contracts had the wrong value recorded and their total value was reduced by \$43,526 to \$245,009. 5 contracts worth \$658,700 were removed from the record altogether. This reduced the value of contracts covered by the survey by 7% overall, suggesting an accuracy rate of 93% when contracts are first recorded by PDM-H.

In order to account for this, PDM-H has reduced the value of each recorded contract that was not confirmed through Impact Survey 1 by 7%.

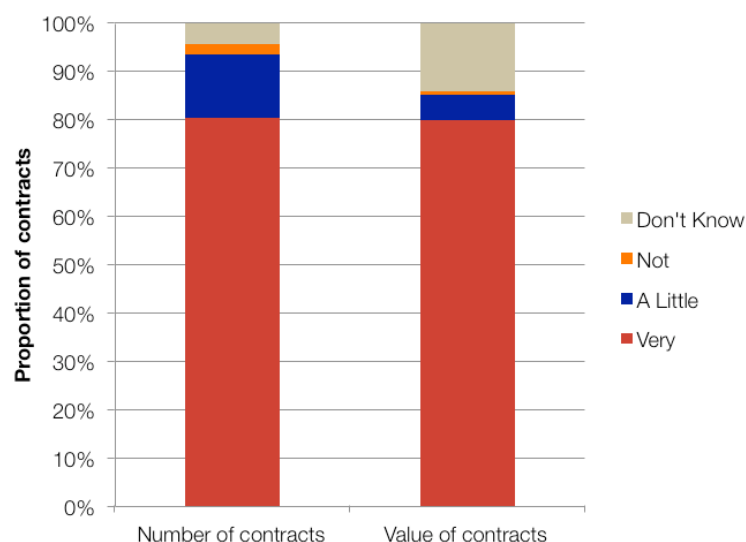
#### **Little to no public data for cross-checking**

Inaccuracies may be exacerbated by the lack of third-party procurement data available to the public that prevents more robust checking of PDM-H data records. One of the only Haitian procurement data sources that is publicly available online is from UNOPS. Matching records is always challenging and even with this resource, just 20% of contracts reported to PDM-H by UNOPS had exact matches in the database. Despite these difficulties, UNOPS is setting an example in transparency that all international organizations should follow.

The number and value of contracts is likely to be an underestimate, due to low levels of feedback from buyers and because there is no full list of users of the online business Directory<sup>1</sup> and TDS services. Any members of the public could consult these online resources without logging in until February 2012, which was a significant weakness of the online presence.<sup>2</sup>

1. In February 2012, a mandatory login was added to the online database in order to be able to track the number of users on the site and contact them for feedback. Due to the project's closure, it will not be possible to conduct a survey of registered users.
2. Until June 2011, it was not possible to track suppliers who had downloaded tenders or buyers who had accessed the Business Portal, because no login was required. Since July 2011, a fuller list of suppliers has been populated using the site by asking them at re-verification whether they have used online Tender Distribution Services in the last six months.

Figure 8: How essential was PDM-H in helping you win a contract?<sup>35</sup>



It is useful to put the value of contracts facilitated in the context of other metrics relating to the Haitian economy. As Table 4 shows, the value of contracts recorded for each year of PDM-H operations in Haiti is very small compared to Haitian gross domestic product (GDP). However, given that PDM-H's goal was to influence only a section of the economy, namely the NGO sector, this low value is unsurprising and we also compare it to the value of disbursements made by the international community each year. On this measure PDM-H's work is more significant, though understanding the true scale of its operations is hampered by poor data on when funds are spent by implementing partners.

Table 4: Contracts recorded for each year of PDM-H operations <sup>3637</sup>

Year	Value of contracts won with the help of PDM-H services	Haiti GDP (IMF) <sup>36</sup>	Value of contracts facilitated by PDM-H as a proportion of Haiti's GDP	Total disbursed by international community as of March 2012 <sup>37</sup>	Value of contracts facilitated by PDM-H as a proportion of donor funds disbursed
2010	\$2.0 million	\$6.55 billion	0.03%	US\$1.61bn	0.1%
2011	\$18.1 million	\$7.39 billion	0.3%	US\$0.84bn	2.1%
2012	\$8.6 million	\$8.35 billion	0.1%	US\$0.03bn	29%

#### 4.1.3 DESCRIPTION OF CONTRACTS

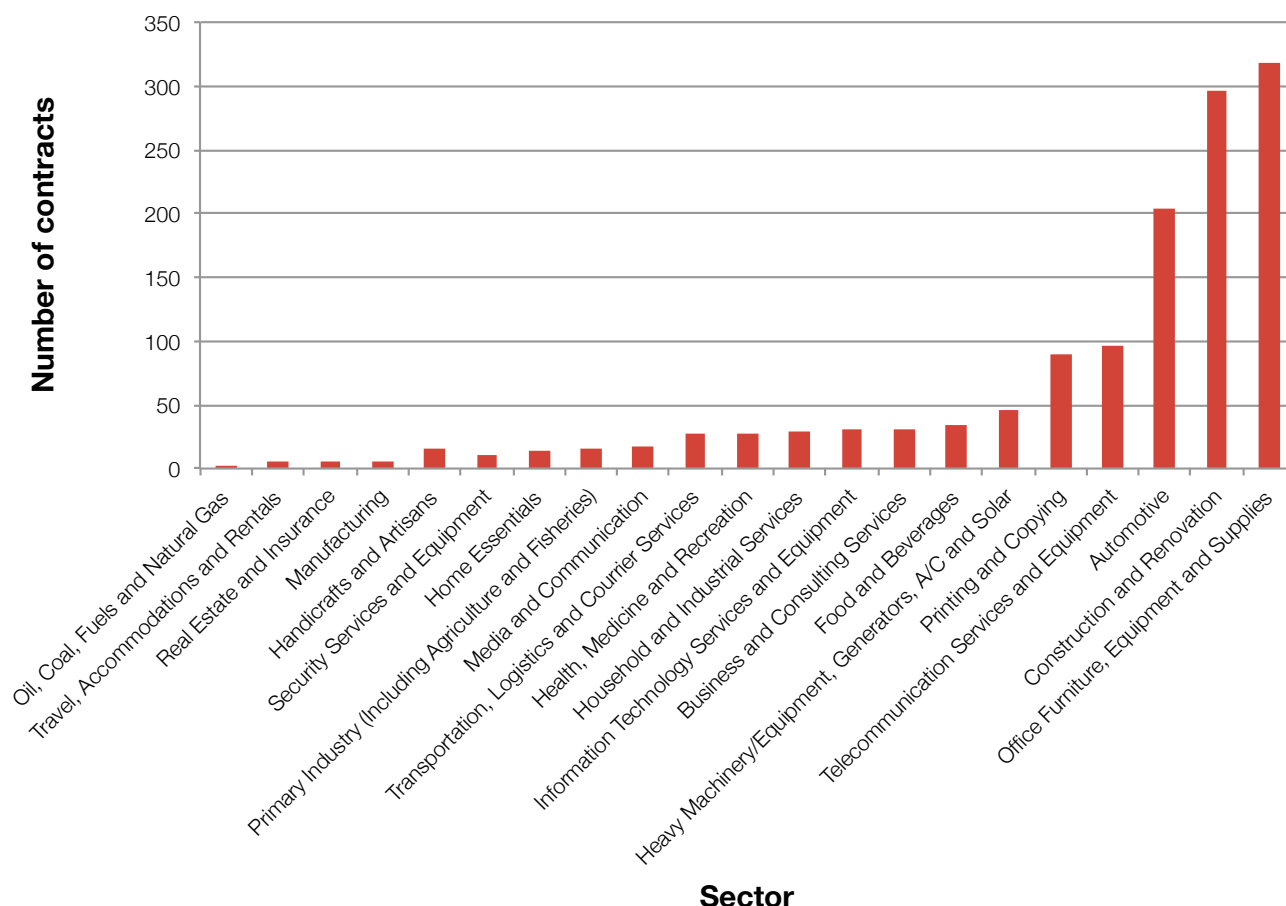
Contracts were facilitated across a wide range of sectors, including construction and healthcare. Thus, PDM-H has supported the diversification of the Haitian economy, which is commonly perceived to be dominated by the textile industry. The spread is shown in Figure 9.

<sup>35</sup> Businesses (suppliers) who did not feel project services were essential were added in, since feedback from the buyer specified that they themselves felt that PDM-H was essential in connecting them with the supplier.

<sup>36</sup> IMF. "World Economic Outlook Database, April 2012." Web. 27 June 2012. <http://www.imf.org/external/pubs/ft/weo/2012/01/weodata/weorept.aspx?pr.x=58&pr.y=15&sy=2009&ey=2012&scsm=1&ssd=1&sort=country&ds=.&br=1&c=263&s=NGDPD%2CNGDPDPC%2CPPPGDP%2CPPPPC%2CLP&grp=0&a=>.

<sup>37</sup> Office of the Special Envoy for Haiti Assistance Tracker. Web. 27 June 2012. [http://www.haitispecialenvoy.org/download/International\\_Assistance/1-overall-key-facts.pdf](http://www.haitispecialenvoy.org/download/International_Assistance/1-overall-key-facts.pdf).

Figure 9: Contracts facilitated by sector



When international organizations award contracts to local businesses in these sectors, it gives SMEs the opportunity to come into contact with international standards and management practices. This experience can enable local firms to build up skills and become more competitive.<sup>38,39</sup>

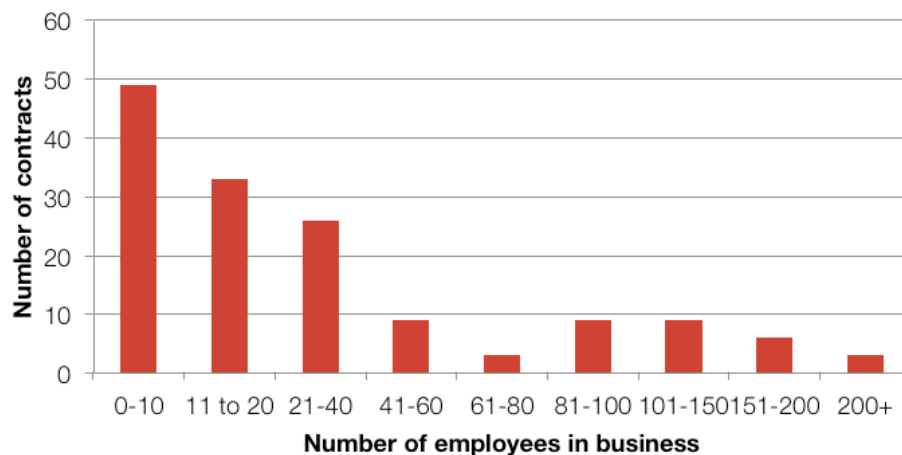
Many of the businesses that won contracts with the help of PDM-H are very small: 56% of the contracts went to businesses with under 20 employees. This demonstrates the PDM-H project's focus on SMEs; its activities open up the market for small businesses rather than simply channeling contracts to the "usual suspects" that have traditionally dominated the market. For example, in the next case study, the construction firm Tempo, which has under 10 salaried employees, used construction managers to manage teams of 100+ workers in its \$1.5 million USAID contract to reconstruct the Haitian Parliament.

<sup>38</sup> Altenburg, T. Linkages and Spillovers between Transnational Corporations and Small and Medium-Sized Enterprises in Developing Countries – Opportunities and Policies, UNCTAD (2000).

<sup>39</sup> Lall, S. and Narula, R., Foreign Direct Investment and its Role in Economic Development: Do We Need a New Agenda? The European Journal of Development Research 16 (3) 2000.



Figure 10: Distribution of contracts by business size



### Case Study: Haitian Parliament has a home thanks to TEMPO Construction

In three short years, TEMPO Construction has grown remarkably, but none of its projects can match the prestige associated with the one completed in November 2011: reconstruction of the Haitian Parliament.



The previous parliament building partially collapsed during the January 2010 earthquake, killing two parliamentarians and 32 staff members. Records and archives were buried, and representatives from both the Lower Chamber (Chambre des Députés) and the Upper Chamber (Sénat) were left without meeting and office space at a time of urgent need.

“It was a huge honor for us to participate in this project,” Tempo Director General Jean Gerard Jeanty recalled solemnly from TEMPO’s headquarters in the Port-au-Prince district of Bourdon. The company was selected in December 2010 as the subcontractor to USAID and began work in March 2011.

Led by two female engineers, TEMPO built the parliament complex, which has been serving as a semi-permanent center of operations for the National Assembly since May 2012, until a permanent building is constructed. The \$1.9 million complex (see photo) features two large steel-framed structures, landscaping, fencing, lighting and generators. It provides more than 22,000 square feet of office space in two co-joined buildings and one joint assembly hall.

TEMPO has been registered on the PDM-H since 2010, and Jeanty credits PDM-H with giving his organization credibility through its verification process and publicity through its website and contacts with international organizations and government agencies. “Because of PDM-H, I am getting requests daily,” for TEMPO’s services, Jeanty said. The company has already been contracted to work on reconstruction of yet another iconic building in Haiti—the country’s National Cathedral.

## 4.2 CONTRACTS SUSTAIN & CREATE JOBS



Above: Workers for Metacool prepare to install an air conditioner. Metacool is a Haitian-owned business that has won seven different contracts with international NGOs. Metacool hires workers for contracts as needed. Copyright: Mariana Keller/Building Markets

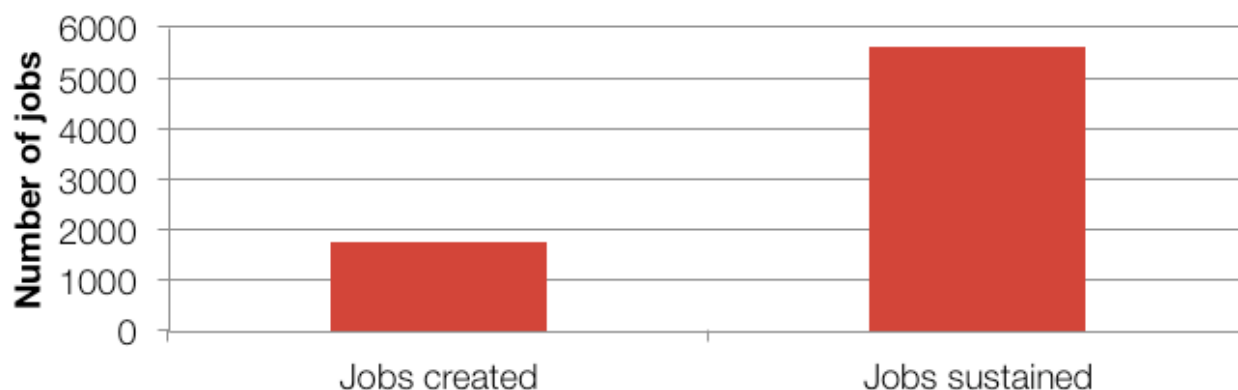
Haiti has a staggeringly high unemployment rate. Statistics are hard to come by, but most estimates put the proportion of the labor force not employed in the formal economy at 66%.<sup>40</sup> The Government of Haiti's recovery and development plans focus heavily on job creation in order to increase economic stability.<sup>41</sup>

The contracts that are won by local businesses help to sustain and create jobs in the Haitian economy, as labor is required to undertake the necessary work to fulfill the contracts. These jobs are especially important in an environment where, anecdotally it is reported that one worker supports between six to ten family members. Many Haitian businesses base employment on medium-term revenues rather than individual contracts. In the case where new workers are not hired to complete a contract, winning new contracts serves to increase job stability for existing employees. All contracts contribute to reaching annual revenue targets, which allows employment to remain at current levels. Hence this section examines employment by looking both at new hires brought in to complete a contract and employees currently employed by the company.

### 4.2.1 OVERVIEW OF JOBS CREATED OR SUSTAINED BY CONTRACTS WON BY HAITIAN SMEs

The 147 contracts included in the impact surveys led to 1,622 individuals being recruited to work on contracts (new hires) and provided work for 5,705 existing employees already employed by contract-winning firms (sustained jobs).

Figure 11: Jobs created and sustained

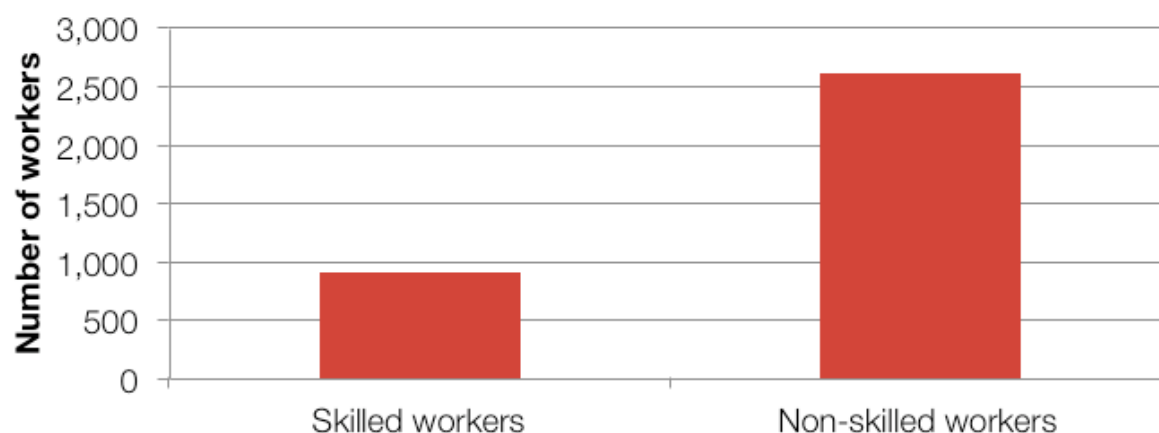


<sup>40</sup> "Economy of Haiti." Wikipedia. Web. 27 June 2012. [http://en.wikipedia.org/wiki/Economy\\_of\\_Haiti](http://en.wikipedia.org/wiki/Economy_of_Haiti).

<sup>41</sup> Government of the Republic of Haiti. Action Plan for National Recovery and Development of Haiti – Immediate key initiatives for the future. Web. 27 June 2012. [http://www.haiticonference.org/Haiti\\_Action\\_Plan\\_ENG.pdf](http://www.haiticonference.org/Haiti_Action_Plan_ENG.pdf).

Of the 3,532 jobs that had information on employee education level, 913 were undertaken by skilled workers, as shown in Figure 12.

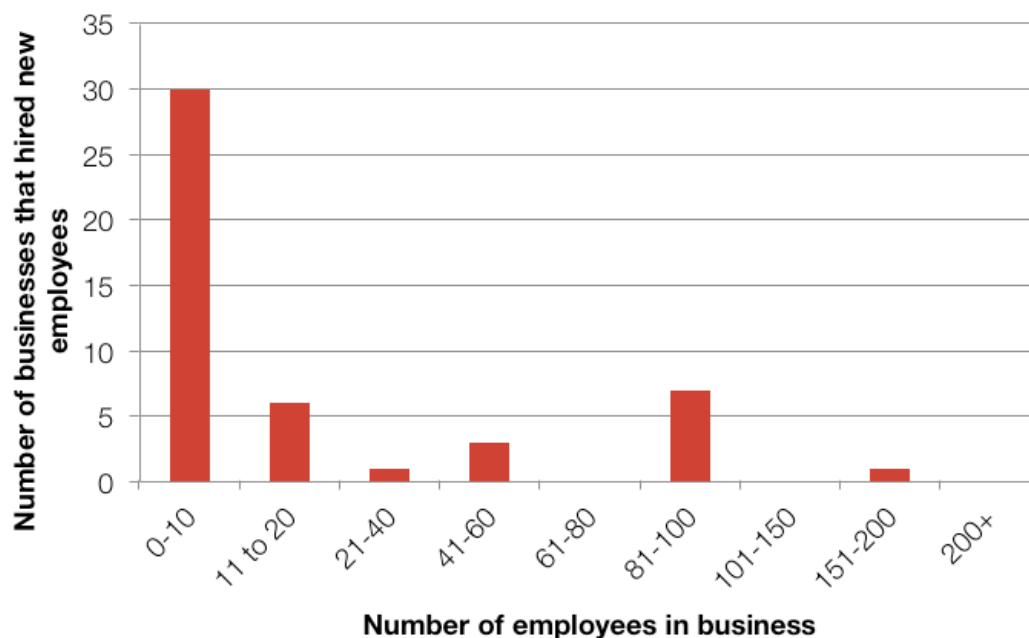
Figure 12: How many skilled <sup>42</sup> employees do you have? How many unskilled?



Forty-eight of the 147 contracts required new hires – 75% of these contracts went to businesses with fewer than 20 employees. Building employment in these small firms is pivotal to strengthening the local market. As a Brookings Institution policy brief summarizes, “in order to help build dynamic competitive economies in developing countries, the time has come to pay greater attention to the potential of small and medium-sized commercial firms to promote economic growth.”<sup>43</sup>

Figure 13 shows how smaller businesses were far more likely to recruit new workers in order to fulfill contracts.

Figure 13: Expansion of employees by business size



<sup>42</sup> Skilled was defined as “a person who has attended vocational school or university.” Unskilled was defined as someone who had not.

<sup>43</sup> De Ferranti, David and Anthony J. Ody. “Beyond Microfinance: Getting Capital to Small and Medium Enterprises to Fuel Faster Development.” Web. 27 June 2012. <http://dspace.cigilibrary.org/jspui/handle/123456789/5184>.

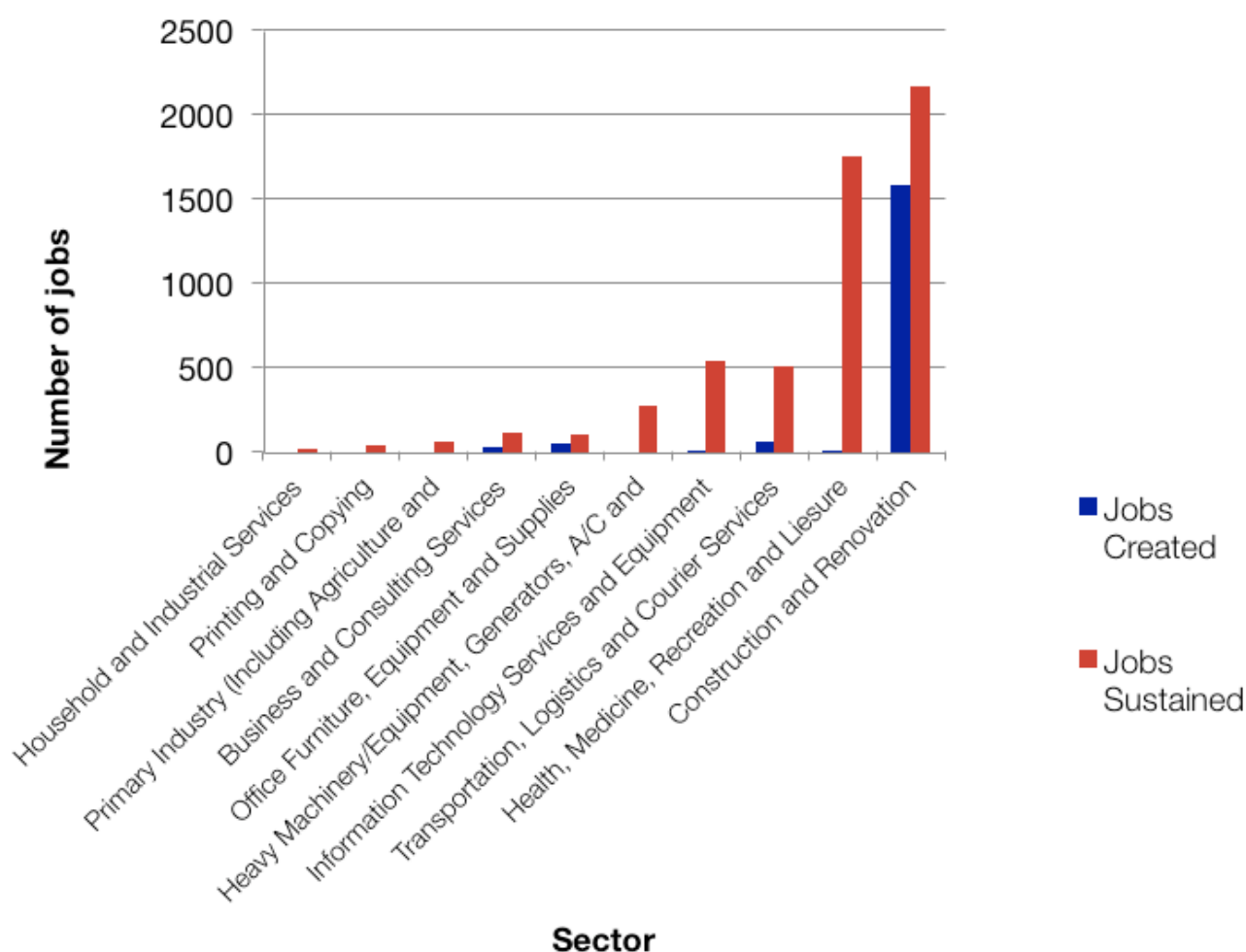
Work on these contracts lasted, on average, 26 days or roughly one month. The number of days work a contract provided was closely linked to whether the contract related to the supply of goods or the provision of a service. The 103 supply contracts lasted on average 23 days, while the 44 service contracts lasted on average 34 days.

## 4.2.2 JOBS BY SECTOR

As Figure 14 shows, the top three sectors for employment generation were construction, healthcare, and transport/logistics. Construction accounts for 51% of all jobs created and sustained. As well as creating the highest number of jobs, construction contracts had the second longest average length (after primary industry) at 38 days. For example, Société Caribéenne des Eaux et de l'Environnement's construction contract with Concern International employed 1,005 staff members, 1,000 of which were new hires.

Several construction contracts have created the additional benefit of increasing the capacity of the supplier that won the contract. For example, YCF Group's four construction contracts with Finn Church Aid led the company to start advertising its new-found capability in prefabricated building construction. The same occurred for SECCA Engineers, whose contract with Chemonics to restore a fallen market resulted in the group learning a new type of solar panel installation.

Figure 14: Jobs created or sustained by sector



## Case Study: Restoring a neighbourhood park



Flooded with tents, the once lush and tree-lined Place St. Pierre in Petionville became a post-earthquake symbol of Haiti's destitution. However, the 500 families who called the park home have recently been relocated and compensated as part of a government neighborhood restoration initiative, and a Haitian engineering firm, SECCA, has been called in to restore the park to its natural beauty.

"Place St. Pierre has always been a place for people to relax and socialize. To be able to recreate that atmosphere is an important step for Haiti's recovery," explained SECCA Director-General Erol Exilus. "The park is very bare right

now, with very little vegetation and lots of broken concrete. Restoring its clean and green wide walkways and shady enclaves will be a big accomplishment."

This will be Secca's fourth project with the US-based consulting firm Chemonics, which has been active in reconstruction projects in post-earthquake Haiti. From Chemonics, the group has been able to learn new construction techniques, thus bolstering their competitiveness in an international market. Exilus directly credits Peace Dividend PDM-H-Haiti with helping SECCA secure the contracts, as the company is listed on the PDM-H online Directory.

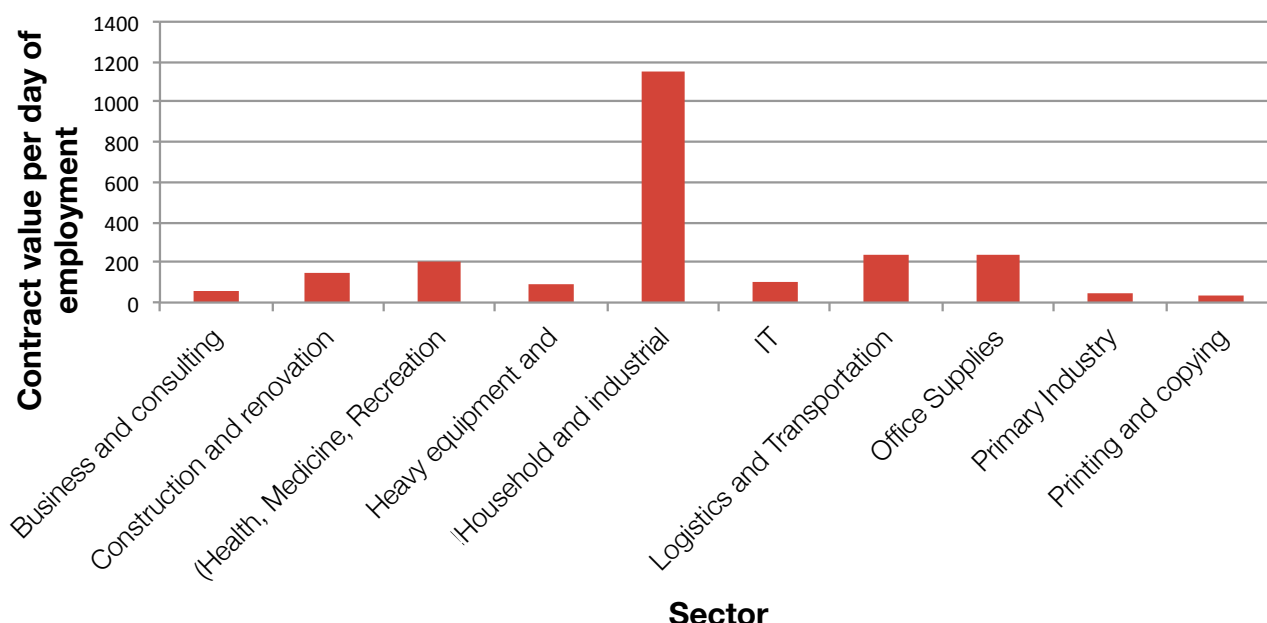
"There was nothing ambiguous about it: Chemonics told us directly that they were contacting us to bid because they had seen us the [PDM-H Business Portal] as a verified company," Exilus stated. "Without that, we would not have had the credibility we needed to secure these contracts."

The next two largest sectors for creating and sustaining jobs were health, at 24%, and transportation/logistics, at 8%. Along with the construction sector, these industries provide basic infrastructure and will be essential for the growth of the economy. These are also the sectors that attract a large amount of development money.<sup>12</sup>

1. CIDA. "Lists by Sector." Web. 27 June 2012 <http://www.acdi-cida.gc.ca/cidaweb/cpo.nsf/vWebProjBySectorofFocusEn?OpenView>
2. Embassy of the United States – Haiti. "USAID." Web. 27 June 2012 <http://haiti.usembassy.gov/usaaid.html>

Sectors also vary considerably in terms of how many dollars it takes to provide one day of employment. For example, contracts in the printing and copying sector typically provided one day of employment for every \$33 of the contract value while contracts in the household and industrial services sector typically provided one day of employment for every \$1,146. As Figure 14 shows, sectors where it is "cheaper" to create a day of employment tend to be in more service-oriented sectors with lower capital costs, and sectors where it is more expensive are those that involve the buying and selling of expensive or large quantities of goods, such as logistics or heavy machinery.

Figure 15: Median wage per day per employee



#### 4.2.3 ESTIMATING JOBS CREATED OR SUSTAINED ACROSS HAITI

The data generated from Impact Survey 1 makes it possible to estimate the total number of jobs created or sustained by contracts won with the help of PDM-H. By calculating the value of each contract divided by the total number of full-time days worked, we get an estimate for the average contract value it takes to create one day of employment. The mean value from the survey data of the cost of one month of employment was \$320,<sup>44</sup> much higher than the median value of \$109 per job per day.

In order to estimate a figure for the employment impact of all contracts recorded, we estimate the value of one day of employment for each contract. The total value of the contract is then divided by the value for one day of employment, following the equation below:

$$\frac{\text{Total value of contract}}{\text{Estimate of value of one day of employment}} = \text{Estimated days of employment}$$

The mean length of a job from Impact Survey 1 is 26 days, roughly the number of working days in a month (Haitians typically work 24 days per month), hence the estimate for number of jobs is based on the assumption that jobs last for one month. The estimated number of days of employment divided by 24 gives the estimate of the number of jobs created by that contract:

$$\frac{\text{Estimated days of employment}}{24} = \text{estimated number of jobs created}$$

There is a statistically significant correlation between the value of contracts and the value of contract per day of employment. This implies that larger contracts are less labor-intensive—a pattern that may be due to the fact that higher-value contracts involved importing high-value goods. The estimates of the value of one day of employment for each of contracts not included in Impact Survey 1 are based on the calculated regression coefficients (see Table 5).

<sup>44</sup> The mean here is calculated with five outliers removed (all more than three standard deviations from the mean). Including outliers, the mean increases to \$483.



Table 5: Regression coefficients used to estimate value of one day of employment

	Coefficients	Standard Error	p-level
Intercept	184.8	45.1	0.00007
Estimated Contract Value (US\$)	0.002	0.0003	8E-11

Using the methodology described above, it is estimated that the number of one-month jobs created or sustained by the contracts won with the help of its services is 11,604. This is equivalent to 967 full-time equivalent jobs, a common metric used to measure job creation.

#### 4.2.4 THE COST OF JOB CREATION IN HAITI

It is useful to understand the cost of jobs created or sustained by development efforts. In the case of the PDM-H project, each job created or sustained equivalent to one year full-time cost US\$5,287. It is interesting to compare this to other information available about job creation so that donors can better understand how to measure grant effectiveness for job creation and sustainability. Table 6 compares PDM-H metrics to job creation projects on the website of the Interim Haiti Recovery Commission for which it was possible to calculate the dollar value of the project per job created or sustained. The dollar value of the PDM-H project per jobs created or sustained by facilitated contracts compares favorably to other job creation projects and is only higher than a highly labor-intensive paving project that would be expected to have low dollar value per job created. The cost-effectiveness measure is calculated by dividing the total grant amount by number of jobs created or sustained.

Table 6: Comparing cost-effectiveness of PDM-H to other job creation projects <sup>454647</sup>

Project	Cost	Number of jobs created or sustained (1 year FTE)	US\$ per job created or sustained	Notes
Haiti PDM-H	US\$5,112,472	967	US\$5,287	Estimated from Impact Survey 1 data (see section 4.2.3)
Northern Industrial Parks Project (Phase 1) <sup>45</sup>	US\$224,000,000	20,000	US\$11,200	10,000 jobs for two years (projection)
Labor-Intensive Paving Project <sup>46</sup>	US\$21,000,000	14,000	US\$1,500	Number of jobs is 14,000 – duration is unclear (projection)
New Millet Bridge Construction <sup>47</sup>	US\$1,700,000	70	US\$24,285	

There is a huge variance in terms of costs of jobs created by different initiatives in Haiti. Comparison is complicated by a lack of data, particularly follow up data that compares actual to projected jobs created. Comparison is also complicated by the fact that many projects have legacy effects on markets and infrastructure (specifically PDM-H's own work and the roads project, for example). Additional study of job creation in Haiti is required, since it is a critical element of stabilization, poverty reduction and sustainable economic growth.

<sup>45</sup> Project funded by the Inter-American Development Bank, the United States Agency for International Development, and the European Union. Details of the project can be found on the Interim Haiti Recovery Commission: <http://en.cirh.ht/reports/000321.pdf>.

<sup>46</sup> Project funded by the Inter-American Development Bank and the Japan International Cooperation Agency. Details of the project can be found at the Interim Haiti Recovery Commission: <http://en.cirh.ht/reports/000298.pdf>.

<sup>47</sup> Project funded by the United States Agency for International Development. Details of the project can be found on the Interim Haiti Recovery Commission: <http://en.cirh.ht/reports/000216.pdf>.

## 4.3 CONTRACTS CONTRIBUTE TO STABILITY AND SUSTAINABILITY OF LOCAL BUSINESSES

Perhaps the most important effect of the contracts described here is not immediate employment but their contribution to long-term sustainability of the businesses that win them. Academic research has shown that interactions between international organizations and local SMEs have positive spillover effects in terms of growth and stability in the private sector.<sup>48,49</sup> Businesses used profits from procurement opportunities to invest in human and physical capital - one out of four businesses surveyed said they used income from contracts to increase capital or train employees for their business. The aforementioned owner of MGR Papeterie, Marly Nadine Michel, used money gained from contracts to start construction on a new warehouse for her store.

Furthermore, businesses gain a track-record, establish past performance with a variety of clients, and win follow-on contracts. Nearly eighty per cent of contracts identified by PDM-H, worth an estimated \$9,955,550, led to another contract with the same buyer or another business. For example, as the case study below shows, Haitian business General Maintenance's contract with World Vision led to repeat business with World Vision as well as new business with other international organizations.

By facilitating linkages for local suppliers, local businesses are able to create the track record required to win repeat business and sustain the working relationships that local businesses tell us are crucial to their success.

Through experience with local procurement, businesses may be better poised to benefit from increases in foreign direct investment (FDI) as it becomes available. Data from the United Nations Economic Commission for Latin America and the Caribbean shows that "Haiti received \$181 million in net foreign direct investment in 2011....an all-time record for foreign direct investment in Haiti....Those figures come in comparison to 2001, when Haiti received just \$4.4 million in net foreign direct investment."<sup>50</sup> While this is still below levels of aid to Haiti (\$170 million in 2001<sup>51</sup> and \$843 million in 2011<sup>52</sup>) FDI is rising much faster and, if it follows the same pattern as many other developing countries, will have a more significant impact on development. Charles Kenny, a senior fellow at the Center for Global Development explains about FDI in Haiti; "unlike food handouts or free latrines... [FDI] built factories, financed banks, and opened mines and oil fields, creating tens of thousands of jobs and transferring invaluable knowledge to the countries that need it most."<sup>53</sup> Echoing the importance of FDI to Haiti, US Ambassador to Haiti, Kenneth Merten, said: "honestly, it's not the assistance that is given by Haiti's partners that will transform the country, it can help improve things a bit here and there, but really it is not the assistance that will help the country move forward... It is the investment, and we encourage investors to come here in Haiti".<sup>54</sup>

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<sup>48</sup> United Nations Conference on Trade and Development (UNCTAD). 2006. Developing Business Linkages: Note by the UNCTAD Secretariat (Geneva: UNCTAD).

<sup>49</sup> Esteves, Ana Maria et al. 2010. Procuring from SMEs in Local Communities: A Good Practice Guide for the Australian Mining, Oil and Gas Sectors (University of Queensland).

<sup>50</sup> Caribbean Journal. "Haiti Received Record-High Foreign Direct Investment in 2011: Report." Web. 27 June 2012. <http://www.caribjournal.com/2012/05/07/haiti-received-record-high-foreign-direct-investment-in-2011-report/>.

<sup>51</sup> OECD - QWIDS. "Data Results - Haiti." Web. 27 June 2012. <http://stats.oecd.org/qwids/#?x=2&y=6&f=3:51,4:1,1:1,5:3,7:1&q=3:51+4:1+1:1+5:3+7:1+2:74+6:2001,2002,2003,2004,2005,2006,2007,2008,2009,2010,2011>.

<sup>52</sup> Office of the Special Envoy for Haiti. "International Assistance to Haiti - Key Facts as of March 2012" Web. 27 June 2012. [http://www.haitispecialenvoy.org/download/International\\_Assistance/1-overall-key-facts.pdf](http://www.haitispecialenvoy.org/download/International_Assistance/1-overall-key-facts.pdf).

<sup>53</sup> Kenny, Charles. "Get an MBA, Save the World." Web. 27 June 2012. [http://www.foreignpolicy.com/articles/2012/04/23/get\\_an\\_mba\\_save\\_the\\_world](http://www.foreignpolicy.com/articles/2012/04/23/get_an_mba_save_the_world).

<sup>54</sup> Haiti Libre, "Haiti - Economy : Kenneth Merten encourages investment in Haiti" Web. 15 April 2012. <http://www.haitilibre.com/en/news-5408-haiti-economy-kenneth-merten-encourages-investment-in-haiti.html>.

## Case Study: General Maintenance: Reputation and Reconstruction



“Reputation is everything,” notes Sacha Blanchet, Director-General of General Maintenance, a Haitian construction firm. “Haiti is like a small town - word gets around fast.”

Blanchet should know. General Maintenance has been at the forefront of the construction boom in the two years since the January 2010 earthquake. But though the company has been in business since 2003, its reputation until then was little known and it had obtained few contracts with international organizations.

“I have to credit PDM-H for getting our name out there,” Blanchet explains. “It is directly due to PDM-H’s efforts that we secured our first contract with World Vision, a finishing job on 1,200 houses in the newly-created Haitian village of Corrail. Once we had that first contract, we had the leverage to go out and attract other jobs, both from World Vision and other NGOs.”

World Vision was so impressed with the work of General Maintenance that it has since contracted the company to carry out three additional projects, including work on a new school in the same village of Corrail.

“Good communication was key throughout the whole process,” Blanchet explains. “If you maintain a constant stream of dialogue, nine times out of ten the company will come back to you for additional work. Moreover, the open lines of communication allowed us to increase our own capacity—we ended up doing things we didn’t even know we had the ability to do.”

Blanchet also talked about how General Maintenance has worked around some of the difficulties of doing business in Haiti.

“Construction projects can take a long time, and all the while, you have NGOs that are changing staff every three months. When I developed the original payment

schedule—25% up front, 25% at 50% completion, 75% at 75% completion and the difference upon 100% completion—I made sure to document all email chains so that there would be no confusion during staff rotations. Meticulous record keeping made all the difference, and prevented any problems from arising.”

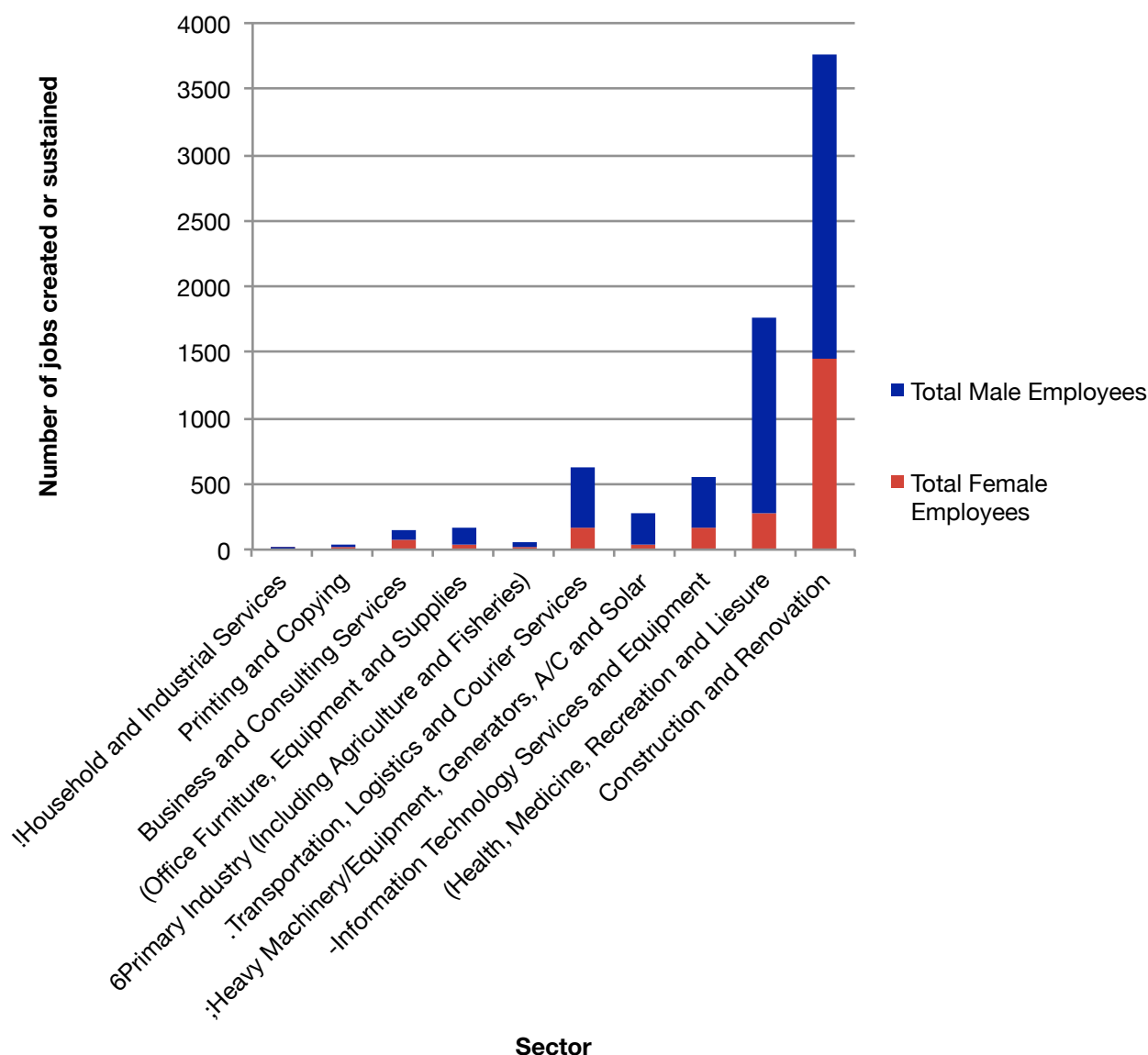
Another hurdle was the credit checks required by World Vision. Since Haiti doesn’t do credit checks, Blanchet went to the bank to obtain letters of recommendation certifying General Maintenance’s good credit status. Building a reputation while rebuilding Haiti – that’s the story of General Maintenance.

## 4.4 IMPACT ON WOMEN

Women have an important role to play in the future of Haiti, with 42% of households headed by women.<sup>55</sup> The data collected by PDM-H helps to better understand the contribution of women to the economy.

Of the 1,332 contracts facilitated by the PDM-H, 34% of the contracts were awarded to women-owned businesses. In addition, nearly one-third of the jobs created or sustained by these contracts were held by women. Female employees worked on contracts across the 10 sectors in which contracts were facilitated, as shown in Figure 16. The business/consulting services and household/industrial materials sectors had the highest proportion of jobs going to women, although the construction sector accounted for the highest number of female employees, as it employed so many more people than any other sector.

Figure 16: Jobs created or sustained by gender and sector



<sup>55</sup> UN Women. "UN Women on the Ground: Haiti's Women a Year after the Earthquake." Web. 27 June 2012. <http://www.unwomen.org/2011/01/un-women-on-the-ground-haitis-women-a-year-after-the-earthquake/>.

Information about women in the workplace is important because many donors seek to support the role of women in the workplace and society. As CIDA explains, “The goal of CIDA’s gender equality policy is to support the achievement of equality between women and men to ensure sustainable development.” They do this by seeking:

- To advance women’s equal participation with men as decision makers in shaping the sustainable development of their societies;
- To support women and girls in the realization of their full human rights; and
- To reduce gender inequalities in access to and control over the resources and benefits of development.<sup>56</sup>



Above: MGR Papeterie owner Marly Nadine Michel stands in her office supply store. Copyright: Mariana Keller/Building Markets

Jobs are one of the most direct ways to establish these goals— because women as managers “advance women’s equal participation with men as decision makers.”<sup>57</sup> Regarding human rights, the right to work is the concept that people have a human right to work, or engage in productive employment, and is enshrined in the Universal Declaration of Human Rights.<sup>58</sup> Finally, more women working in and managing contracts across sectors ensures that woman gain “access to and control over the resources and benefits of development.”

These jobs and contracts are coupled with efforts to promote women in the private sector, through cooperation with the Ministry of Women’s Affairs and two women’s networking events to mark International Women’s Day.

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<sup>56</sup> CIDA. “CIDA’s Policy on Gender Equality.” Web. 27 June 2012. <http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/EMA-218123616-NN9>.

<sup>57</sup> CIDA. “CIDA’s Policy on Gender Equality.” Web. 27 June 2012. <http://www.acdi-cida.gc.ca/acdi-cida/acdi-cida.nsf/eng/EMA-218123616-NN9>.

<sup>58</sup> “Right to Work.” Wikipedia Web. 27 June 2012. [http://en.wikipedia.org/wiki/Right\\_to\\_work](http://en.wikipedia.org/wiki/Right_to_work).

## 5. LESSONS LEARNED

Over the course of the three-year PDM-H project, several lessons were learned that could be valuable for subsequent PDMs, or other actors in Haiti working in similar fields. The following is a list compiled by theme:

### Measuring Project Impact

#### Measuring Job Creation

- PDM-H could have encouraged more 3<sup>rd</sup> party researchers to collect statistics on job creation in Haiti. Furthermore, more research analyzing the cost of job creation would have been very useful when analyzing the jobs created from the 147 contracts measured by PDM-H;
- PDM-H could have also selected a handful of large contracts awarded to Haitian businesses (but not necessarily facilitated through the PDM-H project) to gain a clearer vision of the impact of overall spending in Haiti, specific to creating or sustaining jobs.

#### Measuring Results

- PDM-H could have started impact analysis much sooner into the project. Ideally, three months after a contract is awarded, PDM-H should perform an impact analysis with the winning business.

### PDM-H Services

#### Training

- Although outside the scope of the contribution agreement, PDM-H could have offered a wider range of training topics that would have been beneficial to SMEs, targeting high priority issues, such as access to financing for female owned businesses.

#### Tender Distribution

- PDM-H should have rolled out the user login functionality of the tender distribution service at the beginning of the project. This would have enabled the team to better track the system's users, and tailor its services and tender postings accordingly.
- PDM-H could also have begun its presence within the Ministry of Commerce and Industry sooner, to ensure a smoother transfer of the service.

#### Supplier Directory

- PDM-H could have focused verification efforts on high demand sectors, such as construction, agriculture and textiles, instead of gauging service success by the sheer number of businesses registered;
- The Supplier directory would have benefitted from an auto-update function, where a registered business could manually update their relevant information. This could have ensured the directory's sustainability past project closure.

#### Matchmaking and Outreach

- PDM-H could have undertaken more targeted initiatives, concentrating on high priority sectors, that may have resulted in more contracts facilitated.



- PDM-H could have worked closer with international buyers to formalize the information sharing agreement with PDM-H, which may have allowed PDM-H to obtain feedback from completed transactions.

#### Advocacy and Events

- PDM-H could have more events for female owned businesses, due to their high impact;
- Although many organizations and the Government of Haiti preach the benefits of local procurement, no “Haiti First” policy has officially been adopted. PDM-H could have done more policy promotion to achieve a national “Haiti First” policy.

### Funding Strategies and Partner / Donor Relationships

#### Funding Strategies

- PDM-H could have diversified funding and cost recovery mechanisms by means of services fees, sponsorship, and advertising, in order to be more responsive and adaptable to changing local needs.

#### Partner / Donor Relationships

- PDM-H could have done more to educate its donor on marketplace activity and results, so as to better convey the project’s direction and outcomes.
- Mentorship should have been provided to the MCI so that their representatives could have played a more active role on the project’s steering committee.
- PDM-H could have identified its local partner, the MCI, sooner, which would have allowed a smoother transfer of services and a stronger relationship.

## 6. CONCLUSION

Access to business opportunities such as procurement is fundamental to helping as many businesses as possible create employment opportunities for the Haitian people. This is also an important means of including Haitian people directly in the reconstruction and development of their country. Working with international buyers in-country further helps to offset the difficulties that many SMEs face in accessing regional and international markets.

Having worked with hundreds of suppliers and buyers across Haiti, Building Markets is pleased to note that local procurement has been a cornerstone of Haiti's reconstruction. By reducing barriers to local procurement, notably for small businesses, the PDM-H project has helped more contracts go to more businesses within the local economy. The contracts provide an opportunity for SMEs to create and sustain jobs and to increase inward investment, which contribute to making the SME sector more robust and sustainable.

Access to PDM-H services in Haiti helped small businesses get back on their feet. Contracts awarded to local businesses in the wake of the earthquake were directly responsible for allowing businesses that had large amounts of their capital destroyed to rebound and rebuild. Many of the contracts facilitated by PDM-H have established long-term business relationships that will increase the sustainability and stability of local firms. While the current bulk of transactions are between international organizations and local businesses, there is also a trend towards more business to business transactions, a sign of a healthy economy.<sup>59,60</sup>

The PDM-H intervention has been timely; it has helped to harness the large volume of international humanitarian and development spending to kick-start the local economy and spur entrepreneurship. In all of the decades that Haiti has received humanitarian and development aid, there has never been a high level of involvement from the domestic private sector. The results of the PDM-H project—the demonstration effect of contracting – can be used to inform policy and programming decisions in the future because an important information gap has been filled. The businesses that have benefited from the project services help make the case that in any post-disaster economy, local businesses should be at the heart of development and reconstruction efforts.<sup>61</sup>

As its three-year funding from CIDA ends June 30th, 2012, PDM-H transferred the key services of Tender Distribution and Procurement Training to the Ministry of Commerce and Industry. It is the hope of Building Markets that these services, under the guidance of the Director General of the Ministry and the support of Minister Wilson Leleau, will continue to promote local entrepreneurship and the private sector in Haiti. The year 2012 is a crucial time for Haiti's development as it shifts from disaster-relief to longer-term rebuilding. It is imperative that Haitian businesses take part in this shift; however there is a danger that these businesses will be left behind as procurement requirements become more complex. The direct relationship between local procurement, job creation, and a sustainable SME sector means that local suppliers should, and must, continue to be involved; the international community should ensure that its operations provide support to the private sector and thus contribute to the sustainability of the Haitian economy at the same time as they achieve their specific development mandates.<sup>62</sup>

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<sup>59</sup> Willem van Velde, D. Promoting TNC-SME linkages: the case for a global business linkage fund Overseas Development Institute (2002)

<sup>60</sup> Fischer, E. and Reuben, R. Industrial Clusters and SME Promotion in Developing Countries Commonwealth Secretariat (2000).

<sup>61</sup> World Economic Forum. "Private Sector Development in Haiti: Opportunities for Investment, Job Creation and Growth." Web. 27 June 2012. [http://www3.weforum.org/docs/WEF\\_Haiti\\_PrivateSectorDevelopment\\_Report\\_2011.pdf](http://www3.weforum.org/docs/WEF_Haiti_PrivateSectorDevelopment_Report_2011.pdf).

<sup>62</sup> Ayyagari, Meghana, Asli Demirguc-Kunt, Vojislav Maksimovic. "Small vs. Young Firms across the World: contribution to Employment, Job Creation and Growth." April 2011. Web. 27 June 2012. [http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2011/04/11/000158349\\_20110411130747/Rend ered/PDF/WPS5631.pdf](http://www-wds.worldbank.org/external/default/WDSPContentServer/WDSP/IB/2011/04/11/000158349_20110411130747/Rend ered/PDF/WPS5631.pdf).

Although there will no longer be Matchmaking services to directly link buyers to suppliers, the PDM-H project work with buyers shows that effective local procurement is possible. A precedent has been set. The challenge to the international community in Haiti is to maintain their relationships with the local private sector, bringing Haitian suppliers with them through the next stage of development.

## RECOMMENDATIONS

PDM-H's development experience in Haiti has led to many insights in how the Government of Haiti, the private sector and the humanitarian, and development communities can support job creation and economic recovery. The recommendations here are intended to help guide future efforts to include the SME sector at the heart of development in Haiti.

The Government of Haiti, through the MCI, should:

- take a leadership role in developing and implementing local procurement regulations that support the Haitian private sector;
- commission a comprehensive study of barriers to SME growth and implement meaningful reforms that will support job creation and economic growth;
- continue to improve the business enabling environment in Haiti, including improving Haiti's doing business ranking;
- champion Haiti First approaches to humanitarian, development and reconstruction initiatives underway in Haiti;
- commission an independent study on the volume of procurement being carried out by organizations in Haiti, and measure the economic impact of these efforts to encourage more local procurement and business development;
- continue to operate the Tender Distribution Services on [www.haiti-tenders.org](http://www.haiti-tenders.org); and
- continue to provide regular procurement training sessions to Haiti SMEs.

The Haitian private sector should:

- work in partnership with the Government of Haiti and the international community to ensure that Haitian SMEs are supported to create jobs and play a leadership role in Haiti's economic recovery;
- diligently improve business standards, customer service and transparency and attention to detail;
- scale up through partnership agreements and joint ventures to be able to respond to larger opportunities;
- re-invest profits in business modernization;
- train and develop human resources in procurement practices in Haiti; and
- provide internship opportunities to students to acquire business skills.

The International Aid Community should consider the following good practices:

- prioritize Haitian companies in procurement processes, particularly those dealing in locally produced goods;
- share information about planned expenditures earlier so that the business community can be more responsive to demand;
- publish local procurement policies;
- consistently publish tenders online on [www.haiti-tenders.org](http://www.haiti-tenders.org) and other sites so that businesses can always access tenders;
- measure economic impact and job creation effects as part of regular programme implementation;
- reduce the size of contracts so that small companies can bid;
- simplify procurement documentation and forms;
- ensure procurement notices are written in French and/or Creole;
- improve terms of payment (i.e. on-time payment);
- contribute to efforts to build qualified, local vendor lists;
- provide training to local suppliers on procurement protocols; and
- provide capacity building opportunities for Haitian staff.

# ANNEX I

## DATA COLLECTION METHODOLOGIES

### A I.1 IMPACT SURVEY 1

From October 2011 to January 2012, the PDM-H team attempted to contact every business for which it had recorded a contract over the value of \$1,000. The purpose of the survey was to confirm the value of the contract and the PDM-H project's role in facilitating the contract and also to understand the impact of the contract in terms of employment and investment. The surveys were undertaken face-to-face.

Overall, data on 147 contracts won by the businesses was collected. A breakdown of the response rate is given in the table below:

Category	Number of contracts	Value of contracts
All contracts PDM-H attempted to collect data on	311	\$16,992,738
Contracts for which data was successfully collected	147	\$9,955,550
Contracts where business-owner declined to be interviewed	83	\$1,206,321
Contracts for which the business was not contactable	33	\$2,867,026

### A I.2 IMPACT SURVEY 2

In February 2012, the PDM-H team conducted a survey of businesses that had attended its procurement training sessions. The purpose of the survey was to gather information on the impact of training sessions and to gather information on any contracts that businesses had won due to the training. Businesses that had attended training at least six months previously were targeted so that the medium-term impact of the training could be assessed. The surveys were undertaken over the telephone.

Overall, data was collected from 160 out of the 200 businesses that were targeted: a response rate of 56%.

As well as improvements in understanding of procurement and levels of bidding, the survey collected data on 22 contracts worth \$1,474,796 that businesses reported winning at least partly due to the training they had received from PDM-H.

## A I.3 BUYER SURVEY

From May to June 2012, the PDM-H team interviewed 10 international organizations operating in Haiti that have been users of at least one of the project's services. Only one international organization that was contacted was not interviewed, due to logistical constraints.

The organizations operate in a range of sectors from health care to disaster management, with nine out of ten involved in the construction sector. The tenth organization works exclusively in the agriculture sector. All organizations procure locally in their operating sector, as well as in support sectors such office supplies and information technology equipment.

Buyers were asked questions geared at understanding their position in the local marketplace and the impact of PDM-H services. The interviews also served as an opportunity for the project team to inform buyers of the project's impending closure and to explain that the training and Tender Distribution Services will be handed over to the Ministry of Industry and Commerce.

## A I.4 SOURCES OF ERROR

### Attitude to sharing data

The biggest problem that PDM-H faces is the reticence of local businesses to share business information. Years of corruption, coups and lack of legal protection have left business-owners understandably suspicious of requests for information. This unwillingness to share information has not been experienced by PDM-H projects in other post-conflict and fragile contexts such as Afghanistan, Timor-Leste and Liberia.

Over time, PDM-H staff have learned the best ways to build up trust with local businesses, and most owners can now see the benefits of having their profile included in the supplier Directory. However lack of trust remains a barrier to collecting feedback about the impact of PDM-H services with some suppliers not believing that our staff work for the project even if they can supply business cards and call the office for confirmation. As a result, we consider the impact presented here to be an underestimate of what PDM-H has actually achieved.

### Administrative capacity of businesses

Many Haitian enterprises lack strong administrative and financial procedures, making it uncommon for a business to have detailed historical employee and contract records. The surveys are therefore structured to collect information that respondents were likely to be able to access easily. Building Markets is keen to avoid any perception that it is linked to tax collection authorities and asking for written evidence can arouse suspicion. Sources of error are believed to include (1) the possibility that companies report the same contract twice, creating duplicates in project records; (2) at the time of the survey, companies may report a contract that was subsequently cancelled. This is assessed by re-confirming contracts at later points; (3) duplication can occur when companies change their name. While some have better systems than others and some are more accurate than others, the figures presented in this report should not be taken to be precise, but rather as each business owner's best estimate.

### Types and duration of contracts

Although most of the contracts reported to the project team were not long term, some were still on going in 2012, therefore contract values reported include revenues that companies may only realize after the conclusion of the project's activities in Haiti. Also, some contracts are not for a specified value (for example, indefinite delivery, indefinite quantity (IDIQ) contracts), and in these cases, data was obtained from companies on revenues received from the start of the contract to the point of the survey, contributing to potential underestimations of contract values.

### Accounting for inflation

Contract values are not adjusted for inflation as several contracts do not have accurate start dates, and inflation rates are volatile, driven by changes in food and oil prices rather than by wages. In addition, there are no observable increases in the nominal costs of employment over time. However, this could be due to low levels of data. The approach has been to track contract values in US dollars.

### Low levels of feedback

Not all awarded contracts were recorded because businesses were not eager to share information regarding annual revenues, and many buyers do not provide regular feedback to suppliers. While systematic attempts to solicit feedback from buyers do capture a portion of contracts awarded, this is almost certainly an underestimate.

### Perception-based data

All of the information that is collected from Haitian suppliers on the impact of PDM-H services beyond the contracts facilitated is self-reported and perception-based. This keeps the data-collection process as light-touch as possible for local businesses and affordable from the perspective of project operations.