Rebuilding Haiti
A survey of buyers and builders two years after the earthquake
January 2012
Lucy Heady, Scott Mc Cord, Taylor Steelman
Cover Captions (clockwise from left):

Lét Agogo is a Port-Au-Prince, Haiti dairy collective which recycles bottles and sources small farmers to supply milk and yogurt to Haitians.
*Photo Credit:* James Rexroad for Peace Dividend Trust. 2010

Haiti Bloc S.A. is a Port-Au-Prince business which produces nearly 300,000 concrete blocks a month for home and office construction.
*Photo Credit:* James Rexroad for Peace Dividend Trust. 2010

View of Port-au-Prince
*Photo Credit:* James Rexroad for Peace Dividend Trust. 2010

Workers at Haiti Metal S.A., a Port-au-Prince business that specialises in producing aluminum cookware that is then directly sold in Haiti.
*Photo Credit:* James Rexroad for Peace Dividend Trust. 2010

Other Photo Captions
(In the order of appearance):

Jean Geard Jeanty, Director-General of Tempo Construction
*Photo Credit:* Ivy Kuperberg for Peace Dividend Trust. 2011

YCF Group SA building a school for Finn Church Aid
*Photo Credit:* Finn Church Aid. 2011

The new Haitian Parliament complex a temporary building complex that will house the Haitian Parliament.
*Photo Credit:* USAID. 2011
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Peace Dividend Trust is a non-profit organisation that builds markets, creates jobs and sustains peace in developing countries by championing local entrepreneurs and connecting them to new business opportunities.
This report was researched and written by Lucy Heady, Ivy Kuperberg, Scott McCord and Taylor Steelman, of Peace Dividend Trust and Joseph Antoine, an external consultant.

The findings presented in this report offer the first attempt to look at how post-earthquake reconstruction activity is affecting relationships between the international organisations spending funds on construction and local Haitian businesses operating in the construction sector. It is based on the results of two surveys administered from 30 May 2011 to 19 August 2011. The first survey was addressed to 303 Haitian construction firms in Port-au-Prince. The second survey was addressed to 33 procurement officers and project managers based in Port-au-Prince, working for international organisations.

The samples interviewed for this survey, while significant, cover only a portion of the Haitian construction sector and the results cannot be generalised to the entire sector. Of note, the sample of procurement officers is likely to be biased towards those in favour of local procurement.

Peace Dividend Trust wishes to thank the Canadian International Development Agency (CIDA) for making this report possible through their generous financial support. In addition, this analysis could not have been accomplished without the contributions and participation of many individuals. In particular, the procurement officers and Haitian business-owners who contributed their time, expertise, and efforts to help see this project through to its completion. Peace Dividend Trust would also like to thank Katherine Gilbert of the United Nations Office of the Special Envoy to Haiti, Alexander Main and Jake Johnston of the Center for Economic and Policy Research, and Erica Boulos of CHF International for reviewing the report and giving their feedback and advice.
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EXECUTIVE SUMMARY

The 12 January 2010 earthquake inflicted devastation across Haiti. In response, the international community tripled its aid contributions to the country. Roughly 32%, at least $504 million, of this money has been spent on construction by NGOs and other international organisations. This spending represents an opportunity not only to rebuild Haiti physically, but also to stimulate the local economy by contracting with local firms to undertake construction projects. The Haitian construction sector is labour-intensive and the demand for construction work is likely to remain high for many years to come. Local procurement of construction services creates jobs and builds up local businesses in a critical sector.

From May to August 2011 Peace Dividend Trust (PDT) undertook two surveys in Port-au-Prince to look at local procurement efforts undertaken by international organisations in the construction sector. The first survey was administered to 303 Haitian construction firms and captured their perspectives on bidding for contracts and working with international organisations. The second survey was addressed to 33 procurement officers and project managers working for international organisations and captured their impressions of the local market, their attitudes to local procurement and the barriers they face when seeking to contract with local firms.

The findings highlight the many Haitian firms that are participating in the reconstruction effort. However there are many areas of practice by both procurement officers and local firms that are holding back the level, and positive impact, of local procurement.

KEY FINDINGS

- Since the earthquake, the proportion of businesses surveyed that have won contracts with international organisations has increased from 25% to 45%.
- At least 63% of the procurement officers interviewed frequently make contracting opportunities available to a restricted list of “prequalified” or vetted Haitian businesses only. While this is a legitimate practice, some of these lists are closed to new businesses and many businesses are not sure how to register for lists that are open. This could be preventing new or existing businesses from bidding for contracting opportunities, thus reducing competition in the market.
- Small firms are winning fewer contracts from international organisations. Procurement officers report difficulty finding these smaller companies and small firms are more likely to find international organisations difficult to work with. Firms with five or fewer employees were half as likely to have won an international contract (43%), compared to firms with over 50 employees (90%).
- Just 40% of businesses surveyed report receiving payments on schedule always or most of the time, leaving 60% to deal with late payments. Nearly half of procurement officers interviewed (47%) say they rarely or never give advance payments. This could severely affect the ability of credit-constrained organisations to do business.

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1 This total was taken from the Office of the Special Envoy for Haiti’s website, adding the total USD dispersed between 2010 until December 2011 in the following categories: Territorial Rebuilding – Reconstruction, Regional hubs and urban development, Transport, and General, and Social Rebuilding – Housing.
• The majority of businesses surveyed (65%) said that they can easily find and understand tender documents even though many procurement officers (30% of those interviewed) never publish tender documents in French. Procurement officers felt that most bids received in response to their tenders were not of sufficient quality.

• Many procurement officers – 67% of those interviewed—do not believe the local market can deliver technical work to the required quality without high levels of supervision and guidance. While 78% local businesses surveyed are confident they can always or often deliver what is asked of them, these businesses also recognise the existence of technical weaknesses.

• Businesses report low levels of communication with international organisations both before and after contracts are awarded. Fifty-eight per cent said that they never receive feedback on failed bids. In contrast, procurement officers report that they are willing to respond to and answer questions.

HAITI FIRST

Adopting and advertising a clear ‘Haiti First’ policy and practice would make international organisations appear more accessible. PDT is advocating for such policy and practice, in which both the Government of Haiti and the international community agree to procure locally as often as possible and adopt recognised best practices that ensure maximum development impact from local procurement. Similar practices elsewhere have led to billions of dollars being spent in the local economy, creating hundreds of thousands of jobs and increasing the capacity of local firms.

The following recommendations for international organisations, offer practical and specific ways for procurement officers to implement Haiti First principles. Many of these recommendations will be a challenge to implement in the short term, but in the long term will help to develop a open and competitive market that will benefit both international organisations and the Haitian economy. Building a positive relationship between International organisations and local businesses requires the businesses themselves to play a role as well. The recommendations for local businesses below set out ways in which Haitian firms can increase their chances of winning contracts with international organisations.

RECOMMENDATIONS FOR INTERNATIONAL ORGANISATIONS

1. **Limit use of closed prequalification lists** – Where possible, open up the tendering process to allow more companies to bid and allow new businesses onto prequalification lists. This encourages competition and reduces collusion, which in turn lowers prices. It also allows new players to enter the market.

2. **Improve communication** – Try to aid communication by producing documents in French as well as English. Sharing information about expected standards and future procurement plans will help Haitian businesses to invest in meeting demand.

3. **Trial longer tender submission deadlines** – Tight deadlines may be lowering the quality and quantity of bids from local businesses. International organisations should trial longer deadlines to see if this has a positive impact.

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4. **Pay vendors on time** – Access to credit is an obstacle for Haitian firms, therefore cash flow management is a significant challenge. Making on-time payments to vendors ensures that they can pay their staff on time and purchase materials for their next job. It may also contribute to improving business performance by allowing local companies to complete projects more efficiently and possess the funds required to invest in staff and equipment. Procurement officers should make prompt payment a priority and whenever possible increase the use of advance payments.

5. **Reduce the size of contracts** – Breaking up or ‘unbundling’ contracts into a few smaller contracts will make it easier for local small and medium sized businesses to compete.

6. **Offer training on procurement processes and technical standards** – This will help Haitian firms increase their bidding skills and ability to carry out more technically complex work. You may also refer vendors to participate in PDT training sessions.

7. **Use PDT’s Marketplace services in Haiti** – PDT knows it can be difficult to buy locally and engage in Haiti First approaches; that is precisely why our services exist. Using the Marketplace’s matchmaking, tender distribution and training services will help improve your experience with local purchasing.

**RECOMMENDATIONS FOR HAITIAN BUSINESSES**

1. **Build a portfolio, show past experience** – Procurement officers repeatedly recommended that Haitian businesses create proper documentation of past performances. This shows that the business is professional and reliable.

2. **Offer detailed information in bids** – The most competitive bids thoroughly describe the relevant materials to be provided (for goods), personnel requirements (for services), and financial planning ability. The lack of accredited standards in Haiti makes this level of detail extremely important for buyers seeking to minimise risk.

3. **Justify pricing** – When submitting bids, businesses should stick to sensible, justifiable pricing. Most procurement officers can spot a poorly thought out bid, and it only hurts the business’s credibility. Don’t forget to give your best price!

4. **Pay attention to customer service** – Managing relationships is key to retaining business. International organisations will be more likely to re-contract a business that provides good customer service.

5. **Pay attention to stock quantities** – Haitian businesses should watch the market trends and stock up on materials as appropriate. Businesses that can supply hard-to-find materials will find international organisations coming back for more.

6. **Partner with other businesses** – Small businesses in particular are struggling to win international contracts. Consider setting up a partnership, joint venture or teaming agreement with other companies to offer greater expertise and experience and reduce overhead costs.

7. **Ask for feedback** – Businesses should ask for feedback when they don’t win contracts and when they have completed a project. This will help business improve their chances of winning future business. In particular, ask how you can improve the presentation of your bids: procurement officers stated that properly completed forms would really make a business stand out in the tendering process.
I. INTRODUCTION & OVERVIEW

The 12 January 2010 earthquake inflicted devastation across Haiti, directly affecting an estimated 1.5 million people. Casualties were estimated at over 300,000. In addition to 105,000 destroyed homes, 1,300 educational institutions and 50 hospitals either collapsed or deteriorated to an unusable state. The Government of Haiti estimated the cost of the earthquake at 8 billion USD in losses and damages\(^3\).

Since the earthquake aid money has flooded into Haiti with roughly 32%, at least $504 million\(^4\), being spent on construction by NGOs and other international organisations. This spending represents an opportunity not only to rebuild Haiti physically, but also to stimulate the local economy by contracting with local firms to undertake construction projects.

As Peace Dividend Trust (PDT) has witnessed in Haiti since 2009, the local private sector has the ability to catalyse growth and create jobs\(^5\). From the Paris Declaration on Aid effectiveness in 2005 to the Dili Declaration in 2010, donors have formally recognised the need to ensure more money is spent in the countries they are trying to help, not just on them. Aid to Haiti tripled between 2009 and 2010 yet just 1% of this went through the Haitian governments; Haiti represents a huge challenge to the international community to increase local spending\(^6\).

It is critical that the opportunity created by increased construction work is not missed. The Haitian construction sector is labour-intensive and the demand for construction work is likely to remain high for many years to come. It represents an opportunity to create jobs and build a sustainable market. The devastation caused by the January 2010 earthquake has left Haiti in urgent need of both physical and economic reconstruction. Using local construction firms can help to achieve both goals.

This report is the first attempt to look at local procurement efforts by international organisations in the Haitian construction sector. It examines how reconstruction projects in Haiti are affecting local construction businesses and the success of local procurement from the perspective of procurement officers. The findings highlight how local procurement can be increased and how its positive impact can be improved.

From May to August 2011 PDT undertook two surveys in Port-au-Prince to look at local procurement efforts undertaken by international organisations in the construction sector. The first survey was administered to 303 Haitian construction firms and captured their perspectives on bidding for contracts and working with international organisations. The second survey was addressed to 33 procurement officers and project managers working for international organisations and captured their impressions of the local market, their attitudes to local procurement and the barriers they face when seeking to contract with local firms.

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\(^4\) This total was taken from the website of the Office of the Special Envoy for Haiti (\texttt{http://www.haitispecialenvoy.org/}), adding the total USD dispersed between 2010 until December 2011 in the following categories: Territorial Rebuilding – Reconstruction, Regional hubs and urban development, Transport, and General, and Social Rebuilding – Housing.

\(^5\) For more details on PDT’s Marketplace project in Haiti see Annex 1.

\(^6\) Data from the website for the Office of the Special Envoy for Haiti \texttt{http://www.haitispecialenvoy.org/}.
The survey findings show where progress has been made and where challenges continue to exist in the working relationship between international organisations and Haitian construction firms. The surveys do not allow us to estimate the current extent of local procurement in the local construction sector, more they reveal ways that local procurement could be increased and improved.

Responses demonstrate that many Haitian construction companies are playing an active role in the reconstruction effort. However many are not and for these businesses, international organisations appear inaccessible and unresponsive. Small firms in particular are struggling to benefit from the international presence; they report less experience with international organisations, less communication and feedback, and more of a struggle to find tenders. Findings suggest that the scope of involvement of Haitian companies in construction projects is limited by their low level of technical expertise, the poor quality of bids they prepare, and the lack of communication between international organisations and the majority of Haitian construction companies. Despite these challenges, many of the procurement officers interviewed for this research are finding ways to deliver reconstruction outcomes while at the same time increasing local procurement and ensuring that their projects directly benefit the local economy. These examples of best practice, from training programmes to simply building better relationships with businesses, are highlighted throughout the report.

The report is organised in sections. The first outlines the methodology that was used to conduct the surveys. The second section provides an overview of the characteristics of the Haitian construction firms that participated in the survey. Attitudes towards local procurement and the relationship between the local construction sector and procurement officers are examined in Section 3 and Section 4 examines the impact of tendering and other administrative processes on this relationship. The final section concludes the report by highlighting areas of best practice and recommendations for making the most of this opportunity to build the capacity of the Haitian construction sector.

2. METHODOLOGY AND LIMITATIONS

Two surveys were developed to gather data on perspectives on local procurement in the Haitian construction sector. One survey was administered to participating procurement officers working for international organisations in Haiti. The other survey was administered to Haitian construction firms. Both surveys were undertaken from May to August 2011.

2.1 SURVEY TO PROCUREMENT OFFICERS

The survey of procurement officers was designed to capture experiences of local procurement in the Haitian construction sector. The survey also gathered information about the procurement policies that regulate project implementation in Haiti, the perceptions that procurement officers held of the Haitian private sector and the constraints that international organisations face while working on reconstruction projects in Haiti. The survey questions are listed in Annex 2.
Participants were invited to take part in the survey if their organisation was involved in implementing construction projects in Haiti. Since the list of interviewees was primarily compiled using PDT’s existing base of contacts in Haiti, the majority of participants interviewed actively use or have used PDT’s services in the past. In total, 32 international organisations and one Haitian organisation participated in the survey. Interviews were conducted face-to-face. Many of those interviewed represent key players in the efforts to rebuild the country. Since the quake, these organisations have spent more than $700m on projects in Haiti.

The responses from procurement officers and project managers are likely to have a bias in favour of local procurement. PDT is a well-known advocate for local procurement in Port-au-Prince, hence those that were willing to take part in a survey from PDT are more likely to support local procurement themselves. There is also a risk that procurement officers and project managers exaggerated their support for local procurement in their responses. In order to mitigate this the survey was designed to elicit both positive and negative perceptions of the local construction sector.

2.2 SURVEY TO HAITIAN CONSTRUCTION FIRMS

The survey of Haitian construction firms was designed to capture firms’ attitudes towards international organisations and their recent experiences of working with them. The survey questions are listed in Annex 3.

In order to establish an interview list, PDT contacted each business operating in the construction and renovation sector that is listed on haiti.buildingmarkets.org. In order to be listed on this site, a business must have participated in PDT’s in-person business verification interview which includes demonstrating proof of registration with the Haitian Tax Department. As a result, the sample PDT attempted to survey does not cover the entire population of Haitian construction businesses.

Of the 460 construction businesses registered on the Business Portal as of May 2011, 66% or 303 were interviewed. Most of the businesses that did not participate cited time constraints as the prohibiting factor. Larger businesses were less likely to agree to take part in the interviews; 60% of businesses interviewed employ ten or fewer people compared to 52% of the target sample (see Annex 5 for the size distribution of interviewed vs. non-interviewed businesses).

Interviews with Haitian businesses were conducted by a private consultant, Mr. Joseph Denis Antoine, who oversaw the implementation of the survey with a team of 10 Haitian surveyors. The interviews were conducted face-to-face.

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7 Although the supplier side of the survey was targeted towards procurement officers working with international organisations, PDT was able to interview Le Fonds d’Assistance Économique et Sociale (FAES), an agency of the Haitian Ministry of Economy and Finance, that is involved in construction projects.

8 This total includes all projects in Haiti, not only construction activities. Where spending estimates were unavailable for specific years or specific to Haiti values were not included and so the $700m estimate is likely to be a significant underestimate. See http://www.huffingtonpost.com/2011/01/07/haiti-earthquake-relief-h_1_n_806073.html for an interesting overview of charitable spending in Haiti during 2010.
CASE STUDY: REBUILDING PARLIAMENT

In three short years, TEMPO Construction has achieved phenomenal growth. Tucked away in the mountains of Bourdon, the company has just finished it’s most important contract to date: the reconstruction of the Haitian Parliament.

“It was a huge honor for us to participate in this project,” affirms Jean Geard Jeanty, Director-General of Tempo. “We submitted our bids in October and spent many weeks anxiously waiting. Finally in December we were chosen and then in March we commenced as the sub-contractor to USAID.”

According to USAID, “the previous Parliament building partially collapsed during the Jan. 12, 2010, earthquake. Two Parliament members and 32 staff members were killed in the collapse of the National Assembly building. 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 for efficient, responsive governance.”

Using a team of 100 construction workers managed by two female engineers, TEMPO constructed a $1.9 million Parliament complex that will serve as place of operations for the National Assembly until a permanent building is constructed. The complex “features two large semi-permanent steel-framed structures, landscaping, fencing, lighting and generators. The complex provides more than 22,000 square feet of office space in two co-joined buildings and one joint assembly hall.”

Geanty reflects on the reasons for his recent success, “relationships are key—Haiti is a small place to do business, and your reputation is everything. We were in good standing with USAID due to successful past projects with other NGOs. This past experience also helped us when completing the tender and finalising the contract. Price controls, design, and communications were all agreed with minimal issue.”

As for the future, TEMPO has already been contracted to work on one of the next big reconstruction projects in Haiti, the National Cathedral. As well as rebuilding Haiti’s infrastructure, the project means continued employment for the temporary workers hired to rebuild Parliament.
This section describes the characteristics of the 303 businesses interviewed by PDT for this research.

Key findings include:

- The majority of businesses interviewed (64%) are very small, with ten or fewer employees.
- Seventy per cent of businesses have been established for longer than five years.
- Since the earthquake, the proportion of businesses surveyed that have won contracts with international organisations has increased from 25% to 45%.

The majority of the construction companies interviewed for this research employ ten or fewer people (see Figure 1). Of the 266 businesses that detailed their specific goods and services (see Figure 2), 41% were predominately construction material suppliers, while 28% of the businesses interviewed perform construction services including building roads, housing, and other infrastructure projects.

**FIGURE 1: SIZE OF HAITIAN CONSTRUCTION BUSINESSES INTERVIEWED BY NUMBER OF EMPLOYEES**

- 1 to 5 employees: 36%
- 6 to 10 employees: 28%
- 11 to 20 employees: 18%
- 21 to 50 employees: 11%
- Over 50 employees: 8%

9 15 businesses did not offer their employment details.

10 All employment numbers listed represent full-time employees.

11 The miscellaneous category represents all businesses providing goods and services that did not fit into any of the larger categories, including demolition, drilling, manufacturing of doors and windows, plumbing, and topography.
The majority of the small businesses that participated in the survey have been operating for over six years (Figure 3). This suggests that it has been businesses already in existence that have taken advantage of new construction projects since 12 January 2010 earthquake and that the influx in international aid money has not led to a surge of new construction businesses.
Despite being established for several years, 69% of the businesses interviewed\textsuperscript{12} had little or no experience working for international organisations before the earthquake. Figure 4 shows how activity since the earthquake has had a significant impact on the number of businesses acquiring experience working on contracts awarded by international organisations. Prior to 2010, 77 businesses had won work from an international organisation. From January 2010 until August 2011, this number increased to 137, representing a 78% increase in Haitian companies being awarded contracts with international organisations in just 20 months. The majority of these contracts occurred in 2010, suggesting that the rate of businesses winning international contracts for the first time has slowed in 2011.

\textbf{FIGURE 4: YEAR OF FIRST INTERNATIONAL CONTRACT WON BY EACH HAITIAN BUSINESS\textsuperscript{13}}

Survey responses demonstrate that larger Haitian firms have been more successful in winning contracts with international organisations compared to smaller Haitian firms (see Figure 5). Businesses with 50 or more employees were twice as likely to win a contract with an international organisation than businesses employing 1-5 staff. Within the survey sample, 90% of businesses with 50 or more staff won contracts, compared to 43% companies employing 1-5 staff.

The average size of construction firms before the earthquake is not known but the size of firms since the earthquake continues to be very small. This suggests that construction sector businesses have not established joint ventures or engaged in mergers and acquisitions in order to pursue larger construction contract opportunities.

The results presented in the following sections show that smaller businesses find it harder to work with international organisations, have less communication with them and are less likely to win contracts with them. It seems that staying small is likely to be a significant disadvantage for firms hoping to win contracts with international organisations.

\textsuperscript{12} Excluding 57 businesses that declined to respond on whether they had won an international contract or did not provide the date of their international contract.

\textsuperscript{13} Figure for 2011 is for up to August 2011 only.
4. RELATIONSHIPS BETWEEN INTERNATIONAL BUYERS AND LOCAL BUSINESSES

This section sets out the perspective of both procurement officers and the Haitian construction sector on local procurement, the ability of local businesses to deliver required products and services and how procurement officers and local businesses view their working relationship.

Key findings include:

- Procurement officers are generally positive about local procurement but feel that local firms need a lot of oversight.
- Many procurement officers do not believe the local market can deliver technical work to the required quality without proper supervision and guidance (67% of those interviewed). While most local businesses surveyed are confident they can always or often deliver what is asked of them (78%), these businesses also recognise the existence of technical weaknesses.
At least 63% of the procurement officers interviewed frequently make contracting opportunities available to a restricted list of ‘prequalified’ or vetted Haitian businesses only. While this is a legitimate practice, some of these lists are closed to new businesses and many businesses are not sure how to register for lists that are open. This could be preventing new or existing businesses from bidding for contracting opportunities, thus reducing competition in the market.

Small firms are winning fewer contracts from international organisations; nine per cent of procurement officers specifically highlighted difficulty finding them and small firms are more likely to find international organisations difficult to work with.

4.1 ARE INTERNATIONAL ORGANISATIONS GOOD FOR BUSINESS?

Just over half (51%) of the Haitian businesses interviewed believed that international organisations were either interested or very interested in working with local businesses. This is just slightly more than the proportion of businesses that have actually won contracts with international organisations (45%). Forty-four per cent of businesses believed that international organisations were not interested or only slightly interested in working with Haitian businesses.

This split response contrasts to uniform response from interviewed procurement officers who stated that local procurement is beneficial to all parties and, to a large degree local suppliers are able to meet demand.十四 Forty-two per cent of international organisation representatives interviewed explicitly stated that they source everything from local suppliers for construction projects. Most of these organisations follow procurement guidelines that stipulate a local business should be sought out before going to the international market. When procurement regulations are less favourable to local business, many procurement officers say they design procurement requirements in order to increase local procurement. One organisation, for example, is legally required to not favour businesses of a particular nationality over another, but requires business to have been operating in Haiti for at least one to two years, and to speak French or Creole.

Despite this enthusiasm from procurement officers, responses from Haitian businesses suggest that many have not felt the benefits of local procurement. Approximately 43% of the Haitian businesses surveyed believed that international organisations were neither good nor bad for the economy. Eleven per cent even stated that international organisations do the Haitian economy more harm than good. In apparent contradiction to this response, and possibly an indication of how limited opportunities for constructions businesses are, more than half (54%) of the Haitian businesses surveyed would prefer to work with international non-governmental organisations (NGOs) compared to other contracting entities. The second most popular response was working with the Government of Haiti, followed by any of the UN agencies (see Figure 6).

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14 Again, it is important to note that nearly all of these organisations use PDT’s services and therefore their views on local procurement should not be taken to be representative of procurement officers as a whole.
4.2 MEETING NEEDS OF INTERNATIONAL ORGANISATIONS

4.2.1 Local businesses can meet demand

Eighty-five per cent of the procurement officers surveyed have reported that local businesses are always or often able to meet demand, with only 15% stating that they had experienced difficulty sourcing high quality or specialised materials in Haiti. The procurement officers reported that in many cases local procurement was the best option for them. Most materials needed for construction projects are available on the local market (albeit much of it is imported by local businesses), and purchasing in country saves an organisation time and money (see Box 1 for common needs). Several of these procurement officers mentioned that it is the Haitian businesses that have the local knowledge of where and how to purchase required construction materials in Haiti. Difficulties navigating the Haitian customs process also increase the volume of goods that international organisations procure from local companies. Procurement officers offered several anecdotes illustrating that it could take months to get materials through customs. In contrast, Haitian companies can often import goods for their contracts and get them cleared through the port in Port-au-Prince in one or two weeks.

This is consistent with responses from Haitian businesses. Only two out of 303 businesses interviewed stated that they could never fulfil the demand, while 222 (73%) of surveyed businesses stated that they could either always or often supply the goods and services required.
4.2.2 Concerns about businesses’ ability to deliver quality

However, many procurement officers share concerns about the quality and technical complexity that Haitian firms can deliver. Only twenty-seven per cent of procurement officers surveyed reported that the technical abilities of Haitian businesses were either good or excellent. Most of these qualified their response by stating that because their projects require only basic construction work or materials, the technical demands are not difficult to meet. Procurement officers expressed concerns that technical capacity of the suppliers would prevent them from executing more complex, technically demanding projects. Thirty per cent responded that local businesses’ technical abilities were satisfactory, yet required constant supervision to ensure that work was completed adequately. Twenty-four per cent stated that the technical abilities of Haitian businesses were low (as defined by procurement officers).

At first glance, it seems that the Haitian businesses interviewed have a different perception of their technical skills than procurement. Seventy-five per cent of businesses stated that they can always or usually meet the standards required by international organisations. It is probably the case that procurement officers are simply not turning to the local market for more technical work. Indeed, Haitian firms themselves cite a lack of formal standards, out-dated practices, limited technology and lack of professionalism as weaknesses in their sector. Table 1 summarises the most common responses of all surveyed businesses to the questions ‘What are the strengths of the Haitian construction sector?’ and ‘What are the weaknesses of the Haitian construction sector?’

There is an apparent lack of understanding amongst Haitian firms about the technical skills and standards that are required for particular projects and how to achieve these. At the start of such a large reconstruction effort, it is not surprising that businesses able to provide high quality goods and services are hard to find in a market where so many local construction businesses are working with international organisations for the first time. In Afghanistan, decades of war and neglect have created a huge need for reconstruction of buildings and infrastructure, similar to the need in Haiti.

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15 Due to the diversity of businesses interviewed, their opinions are sometimes contradictory.
PDT has facilitated large numbers of contracts to the local business community in Afghanistan over the last five years and procurement officers say they have seen a huge increase in technical capacity of local businesses. For example, many Afghan construction firms now employ qualified engineers. It is not clear whether the availability of engineers has increased due to local training or returning foreign-educated diaspora. However, the willingness of businesses to invest in hiring people with technical skills is due to demand from international buyers.

**Box 2: Controlling risk while encouraging competition**

Pre-qualification lists are widely used by procurement officers in Haiti. The benefits of these lists to the buyer include lowered procurement risk from working with proven businesses and easier procurement processes. However, a this approach can reduce competition in the market, if lists are closed to potential new vendors, or vendors do not know how to get onto these lists. Reduced competition leads to higher prices for the buyer and is also likely to harm other buyers in the market (e.g. the national government) as the number of firms with the experience of delivering work to international standards remains too low to meet demand.

Risk management tools such as the UN’s ‘Supply Positioning and Risk Evaluation Matrix’ can help procurement officers to manage the increased risk of using new firms.

Evidence from other markets demonstrates that the effort of managing increased risk may yield significant dividends. Opening up the tendering process to a wide range of businesses using the Marketplace’s Tender Distribution Service has lowered quoted prices, prevented collusion, increased supplier base and improved quality; certainly a risk worth taking.

**TABLE 1: STRENGTHS AND WEAKNESSES IDENTIFIED BY INTERVIEWED HAITIAN CONSTRUCTION BUSINESSES**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>• Increased participation in construction work with international organisations</td>
<td>• Formal standards or accreditations not widely used</td>
</tr>
<tr>
<td>• Affordable prices and good service</td>
<td>• Out-dated construction practices</td>
</tr>
<tr>
<td>• Good quality products</td>
<td>• Limited technology available</td>
</tr>
<tr>
<td>• There is a potential for job creation</td>
<td>• Lack of professionalism</td>
</tr>
<tr>
<td>• Competition exists</td>
<td>• Difficulty in finding materials / limited availability of stock</td>
</tr>
<tr>
<td>• A competence and devotion to work</td>
<td>• Market stability affected by political instability</td>
</tr>
<tr>
<td>• Good knowledge of the local market</td>
<td>• Unstable prices and inflation</td>
</tr>
<tr>
<td>• Dynamism and previous work experience</td>
<td>• Lack of information available about the quality of their goods and services</td>
</tr>
</tbody>
</table>


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4.3 MATCHING BUYERS AND SUPPLIERS

Despite the difficulty in finding high quality goods and services and preference for known or pre-qualified suppliers, 58% of the procurement officers interviewed felt that it was either easy or very easy to find good Haitian construction companies. 24% felt that finding a good Haitian construction company was difficult, while 15% felt that it was neither easy nor difficult. In general, international organisations with a larger procurement staff, including staff members who spoke Haitian Creole, and organisations that have been working in Haiti for many years find it easier to locate quality Haitian construction suppliers.

This apparent ease of finding local suppliers is probably due to the fact that at least 63% of the organisations engaged in directed procurement from a list of prequalified suppliers when sourcing construction goods and services. It may also be a sign that the construction sector is strengthening. Twenty-one per cent of the procurement officers interviewed noted that it was harder to find good local construction businesses immediately after the earthquake, but 18 months later, it is getting easier. To illustrate this point, one organisation stated that immediately after the earthquake, 20% of construction goods and services were sourced locally, whereas this had increased overtime to 95%.

Some international organisations surveyed indicated their interest in working with smaller construction companies in Haiti. A few (9%), specifically raised difficulties in finding reliable smaller businesses, so they often stick with the larger, vetted outfits. The largest companies are seen by some to monopolise the market and leave fewer opportunities for the rest. Consistent with this, several respondents reported that they have relationships with a few particular (usually larger) companies that are always able to meet their technical needs. A common response from the conversations was that once an international organisation finds a business it can trust, it is less likely to invest time in broadening its supplier base.

The widespread use of prequalification lists, while lowering risks for procurement officers, may restrict the development of a healthy market if lists are closed to new businesses or businesses do not know how to get onto these lists. See Box 2 for more details.17

Haitian businesses also gave a mixed response when it came to asking how it is to work with an international business (see Figure 7). The pattern of responses indicates that local businesses are aware of the challenge of winning an international contract for the first time. Those businesses that hadn’t won a contract with an international organisation (mostly smaller organisations) felt it was much harder to work with an international organisation than those that had previously won contracts. Forty-eight per cent said it was either difficult or very difficult to work with international organisations, compared to just 19% of those that had won contracts.

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17 See http://www.oecd.org/document/5/0,3746,en_2649_33693550_48634501_1_1_1_1,00.html for a wider discussion of managing risk in procurement in fragile contexts.

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CASE STUDY: REPUTATION AND RECONSTRUCTION

“Reputation is everything,” notes Sasha 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 organisations.

“I have to credit Peace Dividend Trust for getting our name out there,” Blanchet explains. “It is directly due to PDT’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,” he added.

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 construction of 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.
5. THE IMPACT OF TENDERING, CONTRACTING AND IMPLEMENTATION PROCESSES ON THE LOCAL MARKET

In order to win contracts of significant size with international organisations, Haitian businesses typically must participate in formal competitive tendering processes. This tender process is often public and open to all businesses that want to compete, however it is also common for buyers to allow only businesses on a pre-approved list to compete. A handful of the procurement officers interviewed rarely go through a tendering process and instead go directly to one supplier on an approved list.

How international organisations run the tendering process affects the ability of local businesses to win contracts from them. Administrative processes and levels of communication by procurement officers once a contract has been awarded affects how beneficial the experience of working with an international organisation will be for a local business.

Key findings from this section include:

• The majority of businesses (65%) feel that they can easily find and understand tender documents, however the theme emanating from conversations with procurement officers was that bids were rarely high quality. Thirty per cent of interviewed procurement officers stated that they never publish tender documents in French.

• Some procurement officers (47%) feel they are being charged excessive prices by local firms, while other organisations are finding ways to bring prices down.

• Businesses report low levels of communication with international organisations both before and after contracts are awarded. Procurement officers report that they are accessible and willing to respond.

• Sixty per cent of local businesses report that they are receiving payments on time less than half of the time – something that could severely affect credit-constrained organisations.

5.1 FINDING TENDERS

Most international organisations are posting tenders in public and accessible places and businesses report that they look in the right places. Despite this, smaller firms still have difficulty in finding tenders.

The manner of posting tenders varies from organisation to organisation, but the three most common means of advertisement among the 30 international organisations that follow formal tendering processes were posting on PDT’s tender distribution website, contacting a prequalified list of businesses and

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18 This is the process by which an organisation requests proposals from the external market for the supply of goods and services for that organisation. For more information on tendering processes please see [www.cipfa.org.uk](http://www.cipfa.org.uk).
advertising in the newspaper. Haitian business owners are looking in the right places for these tenders, listing PDT’s Tender Directory, organisations’ websites and the newspaper, as places to browse of tendering opportunities.

It is still the case that smaller firms find it more difficult to find tenders (see Figure 8). This could be because they have worse Internet connections or because they have less time to devote to searching for tenders. Smaller firms are less likely to be on the prequalification lists used by international organisations (see previous section), which is also a significant barrier to finding tenders.

FIGURE 8: THE EASE OF FINDING INTERNATIONAL ORGANISATIONS’ TENDERS

5.2 TENDER LANGUAGE AND COMPREHENSION

Haitian businesses reported a good understanding of tender documents; 65% of those interviewed stated that understanding the posted material was either easy or very easy. In contrast, procurement officers interviewed commonly stated that they have never received a bid from a Haitian business that had been filled out correctly and in its entirety. Table 2 outlines what procurement officers look for in a tender document. It is likely that this problem is in part due to a language barrier. Many international organisations conduct business in English and the majority of Haitians operate in their native Creole and French. Thirty per cent of the international organisations interviewed stated that they rarely or never posted tenders in French, only posting in English, or not posting tenders at all.

Nine per cent of procurement officers went on to say that they receive better bids when they have posted documents in

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19 Besides these methods, international organisations occasionally use the radio, websites such as haitibusiness.org and donor organisations’ homepages, as well as word of mouth, to advertise available tenders.

20 It is important to note that this is a biased response, as every business is listed on PDT’s online directory and receives automatic tender notifications by email and SMS.

21 Only six out of the 303 surveyed find tendering opportunities over the radio.

22 Although Haitian Creole is the most widely spoken language, international organisations generally do not have the time or resources to wait for Haitian Creole translations, and need to be able to communicate efficiently with the bid-winners throughout the construction process, thus reducing the effectiveness of Haitian Creole as a working language with international organisations.
French. However, a number of procurement officers (36%) elaborated that they think the poor quality of bids stems from lack of attention to detail, rather than problems with the language.

It is clear that preparation of tender documents by Haitian businesses needs to improve; this would both help Haitian firms to win contracts with international organisations for the first time and make the lives of procurement officers easier. Ultimately, this should result in improved project management and execution alongside stronger collaborative relationships between local businesses and international organisations. Posting tenders in French combined with training on tender submission would help with this (see Box 3). These efforts should be targeted towards smaller businesses that have the greatest difficulty in understanding the tendering documents (see Figure 9).

**Box 3: Best practice example – training businesses on procurement methods**

A few of the procurement officers interviewed for the survey are running training courses for local businesses on their specific procurement procedures. This is increasing the quality of bids that they receive.

Procurement officers interested in setting up their own procurement training or referring local businesses to general procurement training, can speak to PDT’s training officer based in Port-au-Prince. PDT trains dozens of businesses each month on aspects of procurement, from how to fill out forms to putting a quote together.

PDT also runs training courses for procurement officers interested in learning more about the local market.

**Figure 9: The ease of understanding international organisations’ tendering documents**

- **Easy or very easy**
- **Neutral**
- **Difficult or very difficult**

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TABLE 2: WHAT MAKES TENDERS SUCCESSFUL OR UNSUCCESSFUL?

<table>
<thead>
<tr>
<th>Successful bids</th>
<th>Unsuccessful bids</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Documents comply with regulations and give lots of details;</td>
<td>• Documents don’t comply with regulations;</td>
</tr>
<tr>
<td>• Tendering documents are filled out correctly and in their entirety;</td>
<td>• Documents are poorly prepared, omit information, or are sloppy in presentation;</td>
</tr>
<tr>
<td>• Prices are reasonable;</td>
<td>• Prices are too high;</td>
</tr>
<tr>
<td>• Emphasis on quality of work and products;</td>
<td>• Not enough experience;</td>
</tr>
<tr>
<td>• Strong documented past performance;</td>
<td>• Not technically sound, with poor technical quality;</td>
</tr>
<tr>
<td>• Has the capacity to work quickly;</td>
<td>• Can’t work quickly enough;</td>
</tr>
<tr>
<td>• Has access to funds.</td>
<td>• Only can supply a portion of what is asked;</td>
</tr>
<tr>
<td></td>
<td>• No clear delivery plan.</td>
</tr>
</tbody>
</table>

5.3 TENDER DEADLINES

Some businesses are finding it difficult to respond to tenders by the required deadline.

Forty per cent of businesses reported that typically they were required to prepare bids in three to five days and just over 40% of businesses reported having typically seven days or more to respond. This can be a tight schedule to turn around a technical proposal and just 6% of businesses responding to that question felt that they were always given enough time to submit bids. Nearly 30% of businesses felt international organisations rarely or never give businesses enough time to respond properly to bids. Thirty-seven per cent of businesses felt that they were given sufficient time to complete tender bids about half the time.

Two procurement officers mentioned that the credible bids are always submitted before deadlines. Late bids might be accepted but are generally of lower quality, and rarely have a chance of winning the tender. International organisations are under pressure to complete projects quickly and so some are unable to extend deadlines. Despite this, one procurement officer speculated that they think a handful of businesses may be discouraged from submitting because of too stringent deadlines. This officer suggested trialling extended tender deadlines in order to confirm the impact of tight deadlines on the quality and number of bids from local businesses.
5.4 PRICING

Roughly half of the international organisations surveyed (47%) believe that Haitian businesses give excessively high quotes. Procurement officers felt that this was for a variety of reasons, including that Haitian businesses increase prices because they know some international organisations are prepared to pay a premium. Some procurement officers (30%) explained the high prices by recognising that businesses are responding to the temporary nature of the market. Other procurement officers (18%) believed that the high prices are based on poor pricing analysis or a lack of understanding of the current market prices, and that the estimates have no reference to what the goods and services will actually cost.

The consensus among procurement officers was that the market is getting more competitive and this is leading towards more accurate, reasonable pricing on behalf of local businesses. However it is likely that pricing will continue to be an issue; over half of businesses surveyed expected their prices to rise in the next six months. Box 4 describes how some international organisations are trying to get a better price.

Box 4: Getting a fair price

Bargaining: Many procurement officers noted that prices could be bargained down. Where a business offers repeatedly over-priced tender submissions, a few international organisations have had success in bargaining down the price to acceptable levels.

Building a relationship: The 14 procurement officers that stated excessively high pricing wasn’t an issue explained that once they have developed good relations with a business, they receive reliable and sensible quotations for tenders.

Encouraging competition: Increasing competition by encouraging bids from several suppliers also lowers prices. See Box 2 for a discussion of encouraging competition.

5.5 COMMUNICATION BETWEEN PROCUREMENT OFFICERS AND HAITIAN BUSINESSES

Communication between business owners and procurement officers is crucial for allowing businesses to understand exactly what is required to win an international contract. After a contract has been awarded, communication becomes even more important to ensure that goods and services are delivered to the required specification.

5.5.1 Communication during the tender process

Ninety-three per cent of procurement officers that put contracts out to tender stated that they are always able to answer questions and provide feedback before bids are submitted. Two organisations (6%) stated that some of the questions they receive would have been answered if the businesses had read the tendering documents properly, although three organisations mentioned that they want to get more questions from bidders in the interest of receiving more high-quality submissions.

Fifty-three per cent of the international organisations that follow a tendering procurement process stated that they notify every unsuccessful firm that submitted a tender. Those that don’t are limited by time constraints, however 50% of the organisations that don’t always notify losers mentioned that if an unsuccessful business asks why they did not win the tender, they respond.\footnote{The majority of international organisations that do not always notify businesses clarified that they always notify for unsuccessful tenders, but not for pro forma purchases.}

\footnote{The majority of international organisations that do not always notify businesses clarified that they always notify for unsuccessful tenders, but not for pro forma purchases.}

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This view is not reflected in the responses from the businesses; 39% of business owners felt that international organisations were able to answer questions before submission and 58% stated that they never receive feedback on unsuccessful bids. As seen in Figure 10, it is the smallest that have the most negative outlook. This difference in perspective could indicate that procurement officers need to do more to advertise this openness to questions. It is also likely that the difference arises from the pro-local procurement bias in our sample of procurement officers.

**FIGURE 10: HAITIAN BUSINESSES’ PERCEPTION OF INTERNATIONAL ORGANISATIONS’ ABILITY TO ANSWER QUESTIONS BEFORE THE SUBMISSION DEADLINE**

![Figure 10: Haitian Businesses' Perception of International Organisations' Ability to Answer Questions Before the Submission Deadline](image)

**FIGURE 11: EXTENT TO WHICH BUSINESSES RECEIVE FEEDBACK FROM INTERNATIONAL ORGANISATIONS ON UNSUCCESSFUL BIDS**

![Figure 11: Extent to Which Businesses Receive Feedback from International Organisations on Unsuccessful Bids](image)
There is a sharp difference in reported levels of communication with international organisations between those businesses that have won international contracts and those that have not. Nearly 50% of businesses that have worked with international organisations stated that international organisations are always or usually available to answer questions prior to the submission deadline compared to just 6% of those that have not (see Figure 12). Eighty-eight per cent of the businesses that have never won a contract with an international organisation have never received feedback for their failed bids.

These results underline again the difficulties experienced by businesses that have not yet won a contract in navigating the tender process.

**FIGURE 12: HAITIAN BUSINESSES’ PERCEPTION OF INTERNATIONAL ORGANISATIONS’ ABILITY TO ANSWER QUESTIONS BEFORE THE SUBMISSION DEADLINE BROKEN DOWN BY WORK EXPERIENCE**

![Chart showing the percentage of responses for different levels of communication availability by work experience with international organisations.]

5.5.2 Communication during implementation of the contract

Procurement officers often emphasised in their interviews that clear and frequent communication during contract implementation is essential to a high quality final product. Many of the international organisations are managing the projects themselves and so contact with the material providers and/or contractors is vital. All but one procurement officer stated that they can always or often answer questions and provide feedback during contract implementation. The other organisation stated they were available only half the time.

As with communication during the tendering process, businesses presented a more negative perception than procurement officers of levels of communication during contract implementation. Just over 40% said they always or often receive feedback on their performance when carrying out a contract for an international organisation and a quarter said they never do.
Access to finance is a key challenge to Haitian businesses in the construction sector. Firms often do not have the resources to complete a project without getting at least some payment in advance. As a consequence, late payments result in businesses facing severe cash flow problems.

More than half of the procurement officers that took part in the survey reported that they are able to pay at least a percentage of the total value in advance. Forty-four per cent said they issue advance payments always or most of the time, 9% said some of the time, and 47% said rarely or never. Procurement officers reported that practices depend on the size of the Haitian business they are working with. The more established companies have less need of advance payment and this often privileges them in the contract award process. Reflecting the answers from procurement officers, 55% of Haitian businesses answering the survey that have worked with international organisations, stated that they have never or rarely received an advance payment.

The majority of procurement officers (87%) stated that they were able to complete payments on time either always or most of the time. The reasons for late payment vary; a few organisations cited administrative problems in processing payments while some don’t believe that it negatively affects their suppliers. Other organisations stated that payments were delayed due to reasons with the performance of a business.

A different picture is given by the responses from Haitian businesses. As Figure 13 shows, 60% say that they are getting paid according to schedule half of the time or less. The difference between responses from businesses and those from procurement officers may be that businesses expect to be paid upon completion of work whereas procurement officers expect to pay only when they are satisfied with the final product.

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24 Disparity between answers from procurement officers and businesses are likely to be due in part to the bias in the sample of international organisations taking part in the survey.
FIGURE 13: FREQUENCY WITH WHICH INTERNATIONAL ORGANISATIONS MAKE PAYMENTS ON TIME AS REPORTED BY HAITIAN BUSINESSES
Building a solar-powered school strong enough to resist earthquakes and hurricanes would be a daunting project anywhere and by any standard. But Finn Church Aid was determined not only to build such a school in Haiti right where the earthquake struck two years ago, but also to use a local contractor for construction.

“Investing in local industry is extremely important to us,” explained Sari Kaipainen, Reconstruction Manager for Finn Church Aid. “It has to be Haitians who are reconstructing their country—it’s the only way it works.”

To find a qualified contractor, Finn Church Aid published its tender for construction of the school on the Peace Dividend Marketplace-Haiti website. PDM-H offers tender distribution services free of charge. Finn Church Aid then chose the Haitian firm YCF Group SA—a company registered on PDM-Haiti business directory—to build the school, which is called St. Mathieu and is located in Leogane, the epicenter of Haiti’s earthquake zone.

“YCF was selected through a competitive bid for its ability to read and understand complex project documents and to communicate effectively with the lead architect and Finn Church Aid personnel,” Kaipainen said.

Finn Church Aid realised that YCF would have to grow into some of the more complex and cutting-edge elements of the construction process, but it wanted the project to serve as a mechanism to transfer new skills. “This was an ambitious project and many of the techniques were new and not practiced in Haiti,” Kaipainen explained. “But we made the decision that instead of importing workers, we would work with YCF to teach them these new skills. We wanted to finish the project not only with a new school, but a new cadre of workers equipped with a new set of architectural and construction capabilities.”

YCF finished building St. Mathieu, as well as St. Joseph school in Embouchure, another Finn Church Aid project, in September 2011. The company has also been contracted to build two other schools financed by Finn Church Aid: L’Ecole les Abeilles Aspam in Leogane and St. Joseph d’Arimatheee in Jasmin, Gressier. The schools collectively will serve a total of 1,285 students.

Would Finn Church Aid use a Haitian company again? Kaipainen answers without hesitation: “Absolutely! That’s the entire reason we’re here—to promote local industry and aid them when needed. We’re thrilled to be able to have Peace Dividend Trust to help us realise our goal.”
Since the earthquake in January 2010, Haitian construction firms have been playing an active role in rebuilding their country. Of the Haitian businesses that were interviewed, many won construction contracts from international organisations for the first time in the year following the earthquake. These businesses have been able to meet demand, albeit for less technical requirements, and the relationship between international organisations and the firms that have already worked with seem to be reasonably good.

A large section of the Haitian construction sector is yet to feel the benefits of local procurement. Extensive use of prequalification lists and lack of experience with procurement procedures mean that international organisations appear inaccessible to local businesses that are yet to win a contract. There is a gap in perception; procurement officers interviewed for this research feel that they are open and available to answer questions, however many businesses do not receive feedback on failed bids and do not think that they will get answers to questions during the tendering processes. The smaller firms that answered our survey are struggling to communicate with, and win contracts from, international organisations. It is still common for tender documents to be drafted exclusively in English, and many of the businesses answering our survey reported late payments.

Committing to a visible ‘Haiti First’ policy would help to make international organisations appear more accessible and encourage local vendors to build relationships with their procurement officers. PDT is advocating for such a policy, in which both the Government of Haiti and the international community agree to procure locally as often as possible and adopt best practices in procurement to ensure maximum development impact from local procurement. A similar policy in Afghanistan led to billions of dollars being spent in the local economy, creating hundreds of thousands of jobs and increasing the capacity of local firms.

The following recommendations for international organisations, offer practical and specific ways for procurement officers to implement Haiti First principles. Building a positive relationship between International organisations and local businesses requires the businesses themselves to play a role as well. The recommendations for local businesses below set out ways in which Haitian firms can increase their chances of winning contracts with international organisations.

Two years on from the earthquake, there is an enormous amount of reconstruction work still to do. The relationship between local businesses and international organisations will be crucial to ensuring that Haiti gets built back better. Haitian businesses certainly see themselves as part of the answer with over 80% of those interviewed expecting the volume of their work to increase over the next six months. It is challenging in a fragile country such as Haiti to find competent, legitimate local suppliers, but sharing good practice and using intermediaries such as PDT can make it easier (see Annex 1). Those international organisations that put in the effort to work with local business will see a dual benefit from their spending; nearly all businesses that expected to see an increase in work also expected to create more desperately needed jobs.

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6.1 RECOMMENDATIONS FOR INTERNATIONAL ORGANISATIONS

1. Limit use of closed prequalification lists—Where possible, open up the tendering process to allow more companies to bid. This encourages competition, reduces collusion and allows new players to enter the market.

2. Have patience, communicate—Try to aid communication by producing documents in French as well as English. Sharing information about expected standards and future procurement plans will help Haitian businesses to invest in meeting demand.

3. Trial longer tender submission deadlines—Tight deadlines may be lowering the quality and quantity of bids from local businesses. International organisations should trial longer deadlines to see if this has a positive impact.

4. Ensure payments are made on time and offer advance payments—Credit is very difficult for Haitian firms to access and so without stable cash flow it is impossible for them to complete projects to a high standard and invest in their staff and equipment. Procurement officers should make prompt payment a priority and increase the use of advance payments.

5. Reduce the size of contracts—Breaking up or ‘unbundling’ contracts into a few smaller contracts will make it easier for local, predominantly small, businesses to compete.

6. Offer training on procurement processes and technical standards—This will help Haitian firms increase their bidding skills and ability to carry out more technically complex work. One way to do this would be to have Haitian firms work in partnership international firms.

7. Fully exploit PDT’s Marketplace services in Haiti—PDT knows it can be difficult to execute a ‘Haiti First’ policy; that is precisely why our services exist. Using the Marketplace’s matchmaking, tender distribution and training services will help increase local procurement.

6.2 RECOMMENDATIONS FOR HAITIAN BUSINESSES

1. Build a portfolio, show past experience—Procurement officers repeatedly recommended that Haitian businesses was to create proper documentation of past performances. This shows that the business is professional and takes its work seriously.

2. Offer detailed information in tenders—The most competitive tenders thoroughly describe the relevant materials to be provided (for goods), personnel requirements (for services), and financial planning ability. The lack of accredited standards in Haiti makes this level of detail extremely important for buyers seeking to minimise risk.
3. **Justify pricing**—When submitting bids, businesses should stick to sensible, justifiable pricing. Most procurement officers can spot a poorly thought out bid, and it only hurts the business's credibility.

4. **Pay attention to customer service**—Managing relationships is key to retaining business. International organisations will be more likely to re-contract a business they have worked well with in the past.

5. **Pay attention to stock quantities**—Haitian businesses should watch the market trends and stock up on materials as appropriate. Businesses that can supply difficult-to-find materials in Haiti will find international organisations coming back for more.

6. **Partner with other businesses**—Small businesses in particular are struggling to win international contracts. Consider partnering with other companies to offer greater expertise and experience and reduce overhead cost.

7. **Ask for feedback**—Businesses should ask for feedback when they don’t win tenders and when they have completed a project in order to improve. Procurement officers stated that a properly completed form would make a business really stand out in the tendering process.
ANNEX 1: PEACE DIVIDEND TRUST AND THE HAITI MARKETPLACE PROJECT

Peace Dividend Trust’s (PDT) missions is To build markets, create jobs and sustain peace in developing countries by championing local entrepreneurs and connecting them to new business opportunities. PDT rolled out the Peace Dividend Marketplace Haiti (PDM-H) project in August 2009, which is funded by the Canadian International Development Agency (CIDA). The project’s keystone Business Portal, which delivers services that strengthen the local private sector, launched in early 2010.

The PDM-H project is an innovative approach to increase private sector development in Haiti by stimulating economic growth. The project channels the existing operational spending of local, national and international agencies operating in Haiti into the local economy, creating employment and generating income and economic growth.

The goal of the PDM-H project is to develop linkages between buyers operating in Haiti and local vendors to increase the positive distributional impact of the international presence in-country. Procuring goods and services in Haiti is an efficient way to include the private sector in the international assistance effort, and it can have widespread benefits including job creation, income generation, increasing local tax revenues, and capacity building.

In order to develop linkages between buyers and vendors in Haiti, PDM-H provides the following services:

• **Business Development:** Hosts and maintains an online business directory that provides detailed business profiles of local companies to national and international buyers. In an effort to help navigate the local marketplace, PDM-H assists in facilitating transactions between buyers and vendors.

• **Training:** Provides sector-specific training to both male and female entrepreneurs to increase their understanding of the procurement process.

• **Market Access Services:** Conducts and publicises market research to increase knowledge of the local market, with emphasis on sectoral research.

• **Marketplace Information Office:** Holds a public office that distributes tenders from international agencies, government ministries, and private business.
ANNEX 2: LIST OF ORGANISATIONS WHOSE PROCUREMENT OFFICERS WERE INTERVIEWED FOR THIS RESEARCH

All Hands Volunteers
American Red Cross
Architectes de l’Urgence
Architects for Humanity
Article 25
Catholic Relief Services
CARE
Caritas Suisse
Chemonics
CHF
Cordaid
Concern Worldwide
Es-Ko International Inc.
Fonds d’Assistance Economique et Sociale (FAES)
Finn Church Aid
German Development Cooperation (GIZ)
GOAL
Habitat for Humanity

International Federation of Red Cross (IFRC)
International Medical Corps (IMC)
J/P Haitian Relief Organisation (J/P HRO)
Lokal (ARD Tetra Tech)
Oxfam GB
Oxfam Intermon
Première Urgence
PREPPREP Project (International Organisation for Migration)
Samaritan’s Purse
Save the Children
Tearfund
United Nations Children’s Fund (UNICEF)
United Nations Development Programme (UNDP)
United Nations Office for Project Services (UNOPS)
World Vision

ANNEX 3: SURVEY TO PROCUREMENT OFFICERS AND PROJECT MANAGERS

Question
1. How aware are you of PDT services?
2. Has PDT ever assisted you and how?
3. What construction projects are you doing in Haiti?
4. What goods, services, materials do you buy for these projects?
5. How often do you use Haitian businesses for construction?
6. Why do you buy local? Important? Incentives or restrictions?
7. What type of Haitian businesses do you contract with for construction?
8. What goods and services do you import for construction projects? Why?
9. How do you procure for construction?
10. Do you work off a formal procurement plan?
11. How often do you do ad hoc procurements?
12. How much time do you have to source goods and services for your projects?
13. What is the minimum number of responses you need for procurement?
14. What procurement policy do you follow?
15. How do you find suppliers?
16. How easy do you find it to locate good Haitian construction businesses you can do business with?
17. How often do you post tenders in French?
18. How often do you post tenders in Creole?
19. Why do losing firms not win contracts when they bid?
20. Why do winning firms win contracts when they bid?
21. How often do you have to disqualify Haitian construction firms for submitting bids after your deadline?
22. To what extent do Haitian construction firms adhere to your procurement rules and other protocol?
23. How often do Haitian construction firms try to communicate with you to discuss questions or issues?
24. To what extent can you answer questions and provide feedback before the bid submission deadline?
25. To what extent can you answer questions and provide feedback after contract is granted and bids rejected?
26. To what extent can you answer questions and provide feedback during contract implementation?
27. How often do you give advance payments? (Why or why not, and how much?)
28. How often do you pay suppliers on time?
29. To what extent do Haitian construction firms give excessively high quotes? Why?
30. To what extent do you find Haitian construction firms reliable? (If not, why not?)
31. How often do Haitian construction firms deliver goods and services on time?
32. To what extent do Haitian construction firms practice adequate environmental and safety practices?
33. To what extent are Haitian construction firms able to supply the goods and services you need?
34. How would you describe the technical capacity of Haitian contractors and suppliers?
35. Overall, to what extent have you been satisfied with the quality of goods and services supplied?
36. In general, what advantages do Haitian construction firms have over foreign competitors?
37. In general, what weaknesses do Haitian construction firms have compared to foreign competitors?
38. What types of training would enable them to win more of your tenders?

ANNEX 4: SURVEY TO HAITIAN CONSTRUCTIONS FIRMS

SECTION 1: À PROPOS DE VOTRE ENTREPRISE

1.1. Quel est le Nom de l’Entreprise ? ......
1.2. Quel est l’Adresse de l’Entreprise ? ......
1.3. Quel est le Téléphone de l’entreprise ?: 1.3.1. Quel est l’E-mail de l’entreprise ?: ......
SECTION 2: CARTE DE DISTINCTION POUR ORGANISATIONS INTERNATIONALES

### 2.1 En termes d'accessibilité

<table>
<thead>
<tr>
<th>Question</th>
<th>Réponse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quelle facilité y a-t-il de trouver des appels d'offres publiés par des organisations internationales?</td>
<td></td>
</tr>
<tr>
<td>1. Aucune facilité</td>
<td>2. Très difficile</td>
</tr>
<tr>
<td>4. Assez facile</td>
<td>5. Très facile</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Question</th>
<th>Réponse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Par quel moyen, avez-vous accès aux appels d'offres (considerant que vous en trouvez)?</td>
<td></td>
</tr>
<tr>
<td>4. Par les services de Peace Dividend Trust</td>
<td>5. Autres (precisez)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Question</th>
<th>Réponse</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quelle facilité y a-t-il de comprendre les instructions données dans la documentation des appels d'offres émis par les organisations internationales?</td>
<td></td>
</tr>
<tr>
<td>1. Aucune facilité</td>
<td>2. Très difficile</td>
</tr>
<tr>
<td>4. Assez facile</td>
<td>5. Très facile</td>
</tr>
</tbody>
</table>
### 2.1.4 Dans quelle mesure les offres et annonces d'appel d'offres émises par les organisations internationales sont-elles rédigées en langue française?

<table>
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<tr>
<th></th>
<th>Jamais</th>
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### 2.1.5 Dans quelle mesure les offres et annonces d'appel d'offres des organisations internationales sont-elles rédigées en créole?

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<th>Jamais</th>
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### 2.1.6 Dans quelle mesure les organisations internationales expliquent-elles leur processus d'attribution des appels d'offres de manière claire?

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<th>Jamais</th>
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### 2.1.7 Dans quelle mesure les organisations internationales donnent-elles suffisamment de temps aux entreprises locales pour répondre à leurs échéances de dépôt des offres?

<table>
<thead>
<tr>
<th></th>
<th>1-2 jours</th>
<th>3-5 jours</th>
<th>5-7 jours</th>
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### 2.1.8 Quel est le laps de temps habituel donné par les organisations internationales pour répondre à leurs échéances de dépôt des offres?

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<th>1-2 jours</th>
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### 2.2 En termes de modalités de paiements (non applicable si a la question 1.13 la réponse était non)

#### 2.2.1 Dans quelle mesure les organisations internationales paient-elles à l'avance pour des biens / des services?

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#### 2.2.2 Veuillez indiquer un pourcentage des paiements à l'avance moyens offerts par les organisations internationales comparé au montant total du contrat?

<table>
<thead>
<tr>
<th></th>
<th>10% ou moins</th>
<th>11-20%</th>
<th>21-30%</th>
<th>31-40%</th>
<th>41-50%</th>
<th>Plus de 50%</th>
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#### 2.2.3 Dans quelle mesure les organisations internationales vous paient-elles à temps?

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#### 2.2.4 Quel est le délai moyen qu'il faut pour vous faire payer après la complétion du contrat?

<table>
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<th>1 mois ou moins</th>
<th>1-2 mois</th>
<th>2-3 mois</th>
<th>3 mois ou plus</th>
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#### 2.2.5 Quelles méthodes de paiement préférez-vous?

- Virement bancaire
- Chèque
- Argent liquide
- Autres (précisez)

### 2.3 En termes de Communication / Information en retour (les questions : 2.3.3, 2.3.4 et 2.3.5, ne sont pas applicables si la response a la question 1.13 etait non)

#### 2.3.1 Est-ce que le personnel des organisations internationales est disponible pour vous fournir des réponses à vos questions avant les dates limites de dépôt des offres?

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<th>Jamais</th>
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#### 2.3.2 Recevez-vous des informations en retour des organisations internationales lorsque vous n'avez pas réussi dans leur processus d’approvisionnement ou gagné des contrats de leur part?

<table>
<thead>
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### 2.3.3 Lorsque vous exécutez un contrat pour une organisation internationale avez-vous toujours un point de contact clair pour la communication en cas de questions / problèmes de votre part?

<table>
<thead>
<tr>
<th></th>
<th>Jamais</th>
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<th>Environ la moitié du temps</th>
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### 2.3.4 Dans le cas où vous avez eu besoin de discuter de questions / de problèmes liés au contrat, est-ce que les organisations internationales se sont montrées utiles à résoudre ces problèmes?

<table>
<thead>
<tr>
<th></th>
<th>Pas utile du tout</th>
<th>Un peu utile</th>
<th>Très utile</th>
</tr>
</thead>
<tbody>
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### 2.3.5 Combien de fois avez-vous reçu des commentaires sur votre performance lors de l’exécution d’un contrat ou de travaux similaires pour une organisation internationale?

<table>
<thead>
<tr>
<th></th>
<th>Jamais</th>
<th>De temps en temps</th>
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### 2.4 En termes de facilité de faire des affaires

#### 2.4.1 Avez-vous un numéro D & B D-U-N-S?

<table>
<thead>
<tr>
<th></th>
<th>Oui</th>
<th>Non</th>
<th>Jamais entendu parler de cela</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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#### 2.4.2 Est-ce que des acheteurs internationaux vous ont demandé votre numéro D & B D-U-N-S?

<table>
<thead>
<tr>
<th></th>
<th>Fréquemment</th>
<th>Oui, mais pas souvent</th>
<th>Non, jamais</th>
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<tbody>
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</table>

#### 2.4.3 Dans l’ensemble, considérant tout ce que nous avons mentionné ci-dessus, est-il facile de travailler avec les organisations internationales?

<table>
<thead>
<tr>
<th></th>
<th>Très difficile</th>
<th>Assez difficile</th>
<th>Ni facile ni difficile</th>
</tr>
</thead>
<tbody>
<tr>
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### 2.4.4 Dans l’ensemble, les organisations internationales sont-elles bonnes pour les affaires en Haïti?

<table>
<thead>
<tr>
<th></th>
<th>Oui, elles sont mauvaises pour les affaires</th>
<th>Ni bonnes ni mauvaises</th>
<th>Oui, elles sont intéressantes pour les affaires</th>
</tr>
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</table>

#### 2.4.5 Si vous aviez le choix préférez-vous travailler avec:

<table>
<thead>
<tr>
<th></th>
<th>Les agences de l’ONU</th>
<th>Les ONGs internationales</th>
<th>Le gouvernement haïtien</th>
<th>Une autre entreprise haïtienne</th>
</tr>
</thead>
<tbody>
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#### 2.4.6 Expliquez ?: ……

#### 2.4.7 En général, sentez-vous que les organisations internationales sont engagées à travailler avec les entreprises locales?

<table>
<thead>
<tr>
<th></th>
<th>Pas du tout</th>
<th>Peu intéressées</th>
<th>Indifférentes</th>
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#### 2.4.8 Veuillez suggérer une chose que les organisations internationales peuvent faire pour augmenter le nombre de contrats qu’ils donnent aux entreprises locales.

……

#### 2.4.9 Y a-t-il d’autres commentaires que vous aimeriez faire à propos de clients internationaux qui n’ont pas déjà été mentionnés ci-dessus? ……

### SECTION 3 – CAPACITE DES ENTREPRISES HAITIENNES

#### 3.1 Dans quelle mesure votre entreprise est capable de fournir les quantités de biens et / ou services requis par les organisations internationales?

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<th>Jamais</th>
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#### 3.2 Dans quelle mesure votre entreprise est capable de répondre aux exigences techniques des organisations internationales?

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<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION 4: COMMENT VONT LES AFFAIRES POUR VOUS?

4.1 Quels sont les coûts les plus importants pour votre entreprise?
- ❑ Le travail
- ❑ Les machines et matériels
- ❑ Les matériaux (ciment par exemple, béton, etc.)
- ❑ Autre (précisez) ...........................................

4.1.1 Dans les 6 derniers mois, est-ce que ces coûts:
1 ❑ Sont restés les 2 ❑ Ont augmenté 3 ❑ Ont diminué

4.1.2 Dans les 6 prochains mois vous attendez-vous à ce que ces coûts ?:
1 ❑ Restent les mêmes 2 ❑ Augmentent 3 ❑ Diminuent

4.1.3 Dans les 6 prochains mois vous attendez-vous à ce que vos prix:
1 ❑ Restent les mêmes 2 ❑ Augmentent 3 ❑ Diminuent

4.1.4 Dans les 6 derniers mois, est-ce que le volume des affaires que vous faites:
1 ❑ Est resté le même 2 ❑ A augmenté 3 ❑ A diminué

4.1.5 Dans les 6 prochains mois, vous attendez-vous à ce que le volume des affaires que vous faites :
1 ❑ Reste le même 2 ❑ Augmente 3 ❑ Diminue

4.1.6 Dans les 6 prochains mois que vos bénéfices :
1 ❑ Restent les mêmes 2 ❑ Augmentent 3 ❑ Diminent

4.1.7 Au cours des 3 derniers mois, combien de contrats avez-vous gagné?...... 4.1.8 Combien d’entre eux étaient avec des organisations internationales?.........

4.2 Quelle est la taille de votre entreprise (chiffre d’affaires par semaine)
1 ❑ Moins de 10,000 USD 2 ❑ 10,000 -50,000 3 ❑ 50,000 -100,000
4 ❑ 100,000 - 500,000 5 ❑ Plus de 500,000

4.3 Quels seront les deux plus grands défis pour votre entreprise dans les 6 prochains mois? ........
ANNEX 5: SUPPLEMENTARY DATA

FIGURE 14: NUMBER OF EMPLOYEES OF BUSINESSES THAT DECLINED TO BE INTERVIEWED

![Pie chart showing the distribution of employees across different size categories.]

TABLE 3: TYPE OF BUSINESS BY SIZE

<table>
<thead>
<tr>
<th>Size of business</th>
<th>1-5</th>
<th>6-10</th>
<th>11-20</th>
<th>21-50</th>
<th>Over 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction materials / equipment supplier</td>
<td>60%</td>
<td>27%</td>
<td>29%</td>
<td>45%</td>
<td>57%</td>
</tr>
<tr>
<td>Construction services</td>
<td>13%</td>
<td>41%</td>
<td>31%</td>
<td>32%</td>
<td>14%</td>
</tr>
<tr>
<td>Construction services and consulting</td>
<td>8%</td>
<td>8%</td>
<td>10%</td>
<td>6%</td>
<td>0%</td>
</tr>
<tr>
<td>Manufacturing and sale of construction goods</td>
<td>7%</td>
<td>0%</td>
<td>6%</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>Construction services and materials / equipment supplier</td>
<td>2%</td>
<td>0%</td>
<td>6%</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>Logistics</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Electrical works</td>
<td>1%</td>
<td>5%</td>
<td>6%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Construction consulting</td>
<td>1%</td>
<td>1%</td>
<td>4%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>5%</td>
<td>15%</td>
<td>2%</td>
<td>3%</td>
<td>5%</td>
</tr>
</tbody>
</table>
FIGURE 15: HAITIAN BUSINESSES’ PERCEPTION OF COSTS IN THE NEXT SIX MONTHS

FIGURE 16: HAITIAN BUSINESSES’ PERCEPTION OF THE LEVEL OF PRICES IN THE NEXT SIX MONTHS
FIGURE 17: HAITIAN BUSINESSES’ PERCEPTION OF THE VOLUME OF WORK IN THE NEXT SIX MONTHS

FIGURE 18: HAITIAN BUSINESSES’ PERCEPTION OF NUMBER OF EMPLOYEES IN THE NEXT SIX MONTHS
Why Haiti First?
Peace Dividend Trust encourages organisations operating in Haiti to adopt a Haiti First approach to procurement, through adopting a local procurement policy or through practice by engaging with local suppliers.

Adopting a Haiti First policy and practice allows organisations to significantly increase their local impact in Haiti by sourcing more goods and services in-country, thereby creating jobs, increasing incomes, generating revenue and developing the Haitian marketplace.

How do you double your organisation’s impact?
A Haiti First policy and practice presents an opportunity to spend the development dollar twice. For example, an organisation can spend $1m to build a hospital with imported goods and services and leave a hospital behind. Or they can use local suppliers to build a hospital and double their impact by also restoring livelihoods, generating tax revenue and revitalising the local marketplace.

How do we know a Haiti First approach is effective?
Local purchasing is more than private sector development – it is a new way of supporting peace building and implementing reconstruction efforts.

This approach of buying locally has already been endorsed in other mission areas by the United Nations, United States State Department and Department of Defense, the British Department for International Development and Ministry of Defence, and is in the spirit of the Paris Declaration on Aid Effectiveness.

Where do I find more information?
Peace Dividend Trust offers services that facilitate local procurement, for both buyers and suppliers.

Find us online http://haiti.buildingmarkets.org, on email Haiti@pdtglobal.org or at our office at JBEs Plaza in Tabarre.

http://haiti.buildingmarkets.org/sites/default/files/Haiti_First_20110930.pdf
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Agence canadienne de développement international
Canadian International Development Agency