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Strengthening the Informal Sector in Haiti:

Constraints, Possible Interventions and Factors for Success

Results of Informal Sector Assessment

Based in Part on a Survey Undertaken by Turbo System

Prepared for USAID/Haiti, PADO

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LIST OF ACRONYMS

BCA	Banque de Crédit Agricole
CAH	Comité Artisanal Haitien
CH	Cap Haïtien
CMP	Center for Management and Productivity
CPFO	Centre De Promotion De La Femme Ouvriere
FHAF	Fonds Haïtien d'Aide à la Femme
GDP	Gross Domestic Product
GTIH	Groupe Technologie Intermediaire d'Haiti
HAVA	Haitian Association of Voluntary Agencies
HCES	Household Consumption and Expenditure Survey
HDF	Haitian Deveopment Foundation
IDB	Interamerican Development Bank
MEDA	Mennonite Economic Development Association
NBI	Non-Bank Intermediary
NGO	Non-Governmental Organization
OECD	Organization for Economic Cooperation and Development
PAP	Port-au-Prince
SOFIHDES	Société Financière Haïtienne de Developpement (Private Haitian Development Finance Corporation)
USAID	U.S. Agency for International Development
USD	United States Dollars

EXECUTIVE SUMMARY

This assessment represents an initial attempt to take stock of the nature and scope of the informal sector in Haiti, to analyze its major constraints, and to identify possible interventions aimed at improving the productivity of informal sector operators, increasing their incomes and helping to make their work environment healthier and safer. The study is based largely on the results of a field survey of approximately 1,800 informal sector entities and individuals in the urban centers of Port-au-Prince (89%) and Cap Haitien (11%). The survey was undertaken by a Haitian consulting firm, Turbo System, using several dozen enumerators and managed by a team of experienced supervisors and statistical specialists. The narrative report presenting and analyzing the survey results and proposing possible interventions for USAID was prepared by Leslie Delatour, a leading Haitian macroeconomist (and former Finance Minister) and Tamara Duggleby, a microenterprise development specialist with extensive prior experience in Haiti and elsewhere.

The informal sector is a large, permanent, energetic and high-profile segment of the Haitian economy. Its heterogeneous nature renders descriptive generalities somewhat perilous and perhaps makes beneficiary project interventions difficult to define. Nevertheless, several cross-cutting constraints were found to apply to almost all informal sector operators. Foremost among these are:

- Lack of a proper workplace, with sufficient production and exhibition space;
- Inadequate availability of basic utilities (electric power and water);
- Increasing prices for primary raw materials and tools;
- Lack of working capital for raw materials purchase;
- Lack of sales, linked to insufficient product demand;
- Unhealthy working conditions, stemming from poor sanitation, air pollution, lack of clean water and often unsafe work sites.

The breadth and variety of informal sector operations can best be illustrated by the summary list of firms interviewed by Turbo System and presented by category, including: food and drink, books and papers, auto supplies and repair, clothing, electronic, iron work, artisanal, carpentry, masonry, and miscellaneous. A detailed breakdown appears as Annex C to this report.

The assessment addresses the policy issue of the extent to which it is desirable to attempt to assimilate the informal sector into the formal sector of the economy. The advantages accruing, such as legitimacy, access to credit, better market information,

(ii)

a degree of legal protection from arbitrary harassment, etc, must be weighed against the added responsibilities, such as increased government scrutiny, licensing requirements and vulnerability to taxation. This represents a trade-off which individual businesses will have to decide for themselves, and prospective project activities would not necessarily have formalization as an objective. Nevertheless, a greater degree of cooperation among informal operators is implied by such interventions as the establishment of common marketplaces, where subscribers assume certain responsibilities and costs in exchange for tangible benefits.

The assessment identifies and recommends several relevant interventions for the consideration of USAID and other donors. The most obvious element conducive to donor assistance is in the area of access to credit on reasonable terms, but other supporting activities may also be feasible. Items include:

- Lending capital through appropriate NGO credit institutions, with the aim of generating financial resources to qualifying informal sector businesses and gradually introducing viable, creditworthy businesses to the commercial banking sector. The creation of a guaranty mechanism is also proposed as an inducement to financial institutions to embrace promising informal sector businesses.
- Sectoral interventions comprising organizational, technical and training support to certain categories of productive operators in the informal sector, to improve their ability to engage in bulk buying and better sourcing of raw materials, more efficient positioning and marketing of their products, improved planning and inventory control and rational financial management.
- Infrastructural improvements to selected marketplaces in downtown Port-au-Prince and in neighborhood areas, including water and sewer repair, better garbage collection, street closures and construction of improved and serviced workplaces for selected categories of well-motivated informal sector operators. This feasibility of this potential activity, which would involve limited, simple construction, will have to be studied further and suitable NGOs identified to implement it.

The assessment recommends further research in a few related aspects, including the responsiveness of informal sector operators to training opportunities and their general receptivity to the concept of moving into more structured and better equipped marketplaces. A city planner has already examined the technical side of this question (see Annex D), and it remains for a sociologist/anthropologist to approach from its cultural aspects the question of acceptance by market women and other informal sector producers and sellers.

I. INTRODUCTION AND BACKGROUND TO THE INFORMAL SECTOR

The informal sector in Haiti is a vibrant and conspicuous reality that encompasses literally tens of thousand of individuals and microenterprises. Informal section operators overcrowd the sidewalks and pavement of main avenues and back streets of all of the country's cities. These entities perform an almost infinite range of useful roles as producers of basic goods and services and they provide employment, income and training to the bulk of the country's urban labor force. In the face of significant constraints, this authentic competitive private sector has been able to expand continuously to absorb an urban labor force that is growing at an annual rate of 4.4% for the major towns (5.1% for the Port-au-Prince Metropolitan area)¹. Lack of the appropriate time series prevents us from determining trends in income and whether or not the tremendous labor absorption has taken place at the cost of declining income. The overall poor performance of the economy over the recent decade would suggest that income must have eroded in line with the overall stagnation. An important policy issue is whether or not the informal sector has suffered more than the rest of the economy, in particular the formal industrial sector.

Enterprises and individuals in the informal sector differ vastly from one another, and that heterogeneity may be a constraint to policy judgment and intervention. Microentrepreneurs are far from being illiterate, and their reported income level is significantly above the official minimum wage. On average, they earn 376 Gdes per week, with men earning 27% more than women. Unexpectedly, we found that the reported average earning in Cap Haitien was more than twice that of Port-au-Prince. Some are successfully producing for exports, others totally dominate some sectors of the economy, such as the fabrication of coffins, while the technical ingenuity of still others keeps the aging fleet of public transport vehicles in working condition. While ease of entry is usually seen as the defining aspect of the informal sector, not all activities are necessarily easy to enter into. Some trades seem to be undergoing an incipient process of organization, which may result in erecting barriers to entry into the activity.

The informal sector is a durable activity where people enter to stay as a permanent way of making a living. The survey results indicate that few people came to their current occupation in the informal sector from previous experience in the private formal sector or from the Government. There seems to be a lively apprenticeship process which is not well documented. Some imaginative

entrepreneurs earn more doing training on a full time basis than from their production or selling activity. There is a dearth of systematic information about such issues and the survey could not trace work histories or career paths. A different kind of instrument would have been needed, focusing on a smaller number of respondents, but going into more depth on personal histories.

The poor shape of the National Accounts does not allow a precise assessment of the informal sector's contribution to GDP. However we do know that most of the extractive industries (production of sand, gravel and other building materials) consists of informal sector firms. In particular they operate in open violation of zoning laws banning sand extraction in the Boutillier area. Most construction activities, the bulk of public transportation, food catering for industrial workers and low income consumers, small retail trade and the street foreign exchange market, all are illustrative of informal sector activities. There remain of course the issue of the large number of servants and the proper treatment of the agricultural sector. If both were included in the informal sector, the one might conclude that the bulk of the Haitian economy is the informal economy.

For our purposes, servants are excluded, and we define the informal sector as basically an urban phenomenon. We recognize the arbitrary nature of the definition. For the purpose of the survey, we defined an informal sector participant as a firm generating less than five thousand gourdes of monthly income and employing at most 5 people, including the owner. In addition, individuals, that is a one-person firm, were also included if they were not members of liberal professions (doctors, lawyers, and so forth)². On that basis, 1796 interviews were conducted covering 1395 individuals and 401 enterprises. Thirty six percent of the firms had 1 employee; 28% had 2; 13.7% had 3 employees; 13.7% had 4; 4.7% had 5 and 3.2% of the firms had more than 5 employees. The presence of the later category is explained by the fact that it was well into the interviews that the question about the number of employees came up. Rather than lose those questionnaires, it was decided to include them, as they were obviously related to the same universe. As regards the gender composition of the sample, it is made of two-thirds male and one-third female.

See the separately submitted methodological note of TURBO SYSTEM for the technical details of the survey design and execution.

The safeguard and enhancement of the informal sector absorptive capacity must be a major policy objective of the Government because, first the low-level of per capita income forces almost all family members to be active labor market participants. Second, the growth rate of the labor pool far outpaces the absorptive capacity of the formal sector. Third, if anything, the absolute size of the formal sector has declined (shutdowns in the export assembly sector related to political instability), while at the same time the safety valve provided by migration out of the country is less and less a realistic source of excess labor absorption. Fourth, continuous rural-to-urban migration will keep on pressuring the urban labor market. Already, the informal sector is a major source of migrants absorption: the survey reveals that in Port-au-Prince only 17% of the respondents were born in the city, while in Cap Haitien the figure is 25%, with no significant gender distinction.

The challenge is to insure that average output per worker in the informal sector increases so as to trigger income growth in a context of growing numbers participating in production. The heterogeneity of the informal sector directly impinges on that issue. In particular, there is the delicate distributional aspect of allocating the benefits of the increases in productivity and income between the owners of the firms in the informal sector and their workers. This is made more acute by the finding that the owners are definitely not among the poorest of the poor, and their employees also earn more than the legal minimum wage.

II. CONSTRAINTS FACING THE INFORMAL SECTOR

Informal enterprises usually operate under difficult circumstances, requiring a high degree of flexibility to face changes in key factors of business: availability of raw materials, deficient utilities, price changes and competition. At the present time, these enterprises are trying to conduct normal business in an abnormal environment of heightened uncertainty, characterized by unanticipated price rises for processed goods and primary raw materials, declining buying power and sales levels, greater import competition in some sectors and physical insecurity in the workplace. Under the ongoing embargo, Haitian informal and micro-enterprise sectors have been particularly hard hit by rapid price rises for basic working materials and an accompanying drop in sales, due to the declining economy: real GDP fell by 10% in 1992

and preliminary estimates for 1993 point to a further real decline of 4%. Furthermore, prices have risen at a pace much faster than recent history, the annualized rate of inflation being in the range of 60%.

The available evidence indicates that informal sector businesses have responded to the "conjuncture" in a number of ways. For many, the response has been to change from productive or service activities to commerce³, offering quick turnover, lower capital requirement, more stable demand and more predictable risks. To continue their present activity and survive, many businesses which before relied upon their own working capital and cash flow have gone into debt with one or more of the non-bank credit institutions serving small businesses. Overall, micro-enterprise operators across all sectors have been rendered more cautious about taking risks which may not pay off, and cause the enterprise to fail.

Across the informal sector, businesses which are attempting to sustain their existing operations are facing a number of significant and recurring problems. These have emerged as important constraints in terms of frequency of mention and indicated severity of the problem, during in-depth on site interviews with individual enterprise operators and the questionnaire-based interviews. Most of these constraints are not simply a function of the embargo, but factors which should be addressed in the medium to long term if the informal sector is to realize its potential as a source of locally consumable products and services, employment and income. Most frequently encountered constraints and the ways in which informal sector operators cope with them, are discussed in the following section, in order to build a framework for identifying and developing interventions which could realistically strengthen the productivity, and income of Haiti's informal sector.

General Findings

At mid-point in the informal sector assessment, in-depth interviews were held by the assessment team with a sampling of six micro-enterprises operating in five (5) areas of Port-au-Prince. These were held for comparative analysis with the results of survey interviews taken with the larger sample. All

See REGROUPEMENT INTER-OPD: AIDE D'URGENCE, DIAGNOSTIC, LIGNES STRATEGIQUES, AXES D'INTERVENTION; Document Final Préparé Par La Commission Permanente Sur L'Aide D'Urgence. Port-au-Prince, Août 1992.

of the businesses interviewed in depth were existing enterprises, in operation from two to 15 years (in one case 20). This longevity is in line with a key result of the survey: enterprises in the informal sector are not transient type of phenomena. They are made of quite stable operations with respect to both age and place of operations. On average, the individual has been operating for 8.2 years while the average firm is 9.5 years old. There are no significant differences between Cap Haitien (CH) and Port-au-Prince (PAP) for the firms even if individuals in PAP have been in business for a longer period (8.5 years) than in CH (6.2 years). Furthermore, the stable aspect of the informal sector is reinforced by the fact that the operations remain at the same location for significant amount of time. On average the operation has been located on the current site for 6.6 years, with an average of 7.5 years for the firms and 6.3 years for individuals. A policy implication is that it should not be too arduous to identify and locate potential targets for interventions.

According to the survey results, and confirmed by the in-depth interviews, the main limitations faced by micro-entrepreneurs are:

- Lack of a proper workplace, with sufficient production and exhibition space;
- Inadequate availability of basic utilities (electric power and water);
- Increasing prices for primary raw materials and tools;
- Lack of working capital for raw materials purchase;
- Lack of sales, linked to insufficient product demand;
- Unhealthy working conditions, stemming from poor sanitation, air pollution, lack of clean water and often unsafe work sites.

Inadequate Workplace

A principal constraint for every business visited is lack of adequate workspace for producing and for marketing products. The need in most cases for producers of finished goods is for larger and partially covered workspace, consistently served with electricity and water to support a full working day. Furniture makers and metalworking shops visited are particularly constrained by poor and inadequate workplaces. Existing space is cramped and insufficient, requiring businesses to cope by conducting work in shifts where a number of producers work at site. Workspaces are often unventilated, subjecting workers to high concentrations of air-borne dust, street-side vehicle exhaust and other hazardous substances. Some workplaces do not have minimal safety equipment for carrying out the job (e.g. soldering) or protected sites for hazardous machinery.

Lacking adequate exhibition space, businesses interviewed cannot display products to attract additional walk-in business. Furniture-makers are coping with deterioration of merchandise using makeshift tents or no protection against sun or dust. Lacking covered storage space, some producers also experience thefts. This problem is a classic constraint to the informal sector as many operators simply crowd available public space. Forty five percent of the sample use the sidewalk as the place of business. Eighty percent of those using a building had only one room to operate. Furthermore, use of the space is often allocated to multiple use: only 51% use the space exclusively for business purposes while 33% use it for both business and personal housing. Sixty-three percent of respondents who cited lack of space as a problem categorized it as a serious problem. The proportion of respondents was higher for businesses in production (72 %) as compared with commerce and services. Notice that the low proportion of space owners would discourage physical investment in improving facilities. Only 20% of the sample reported owning the premises while 36% leased it and 8% were renting. Another 34% was using the space free.

Inadequate Electricity

This is a problem for five of six enterprises visited, and was rated as a serious problem by 83% of survey respondents citing electricity as a problem encountered by the enterprise. The unreliability of power is ranked as the fifth most important constraint to business, being cited 6% of the times as the most severe constraint to business. For businesses visited who relied upon electricity to produce, the problem was not lack of hookup (as most had meters) but unavailability of supply for most of the day, and then at off hours. There is however a significant number of users that get their power from illegal connections with a third party: 22% of the those who had power were so supplied while 12% admitted getting power free. The impact of the power shortages is disproportionately heavier on these informal firms than on the largest ones. The later have dealt with the issue by purchasing their own generating capacity, something which is obviously beyond the means of informal sector operators.

Increasing Prices for Raw Materials

All businesses interviewed cited price increases for primary raw materials as a significant impediment to maintaining production and sales levels. While availability of materials and tools was not a problem for five of

six businesses interviewed, metal workers and furniture makers who depend upon frequent purchase of raw materials report that prices for their principal materials have doubled or tripled since the start of the embargo. Several have been able to adjust by passing this on to customers.

The accelerating inflation has had a devastating effect on the informal sector. The problem stems from the fact that price increases were so unexpected that producers failed to change their pricing policy to a replacement cost formula as distinct from one based on historical prices. The lack of appropriate record keeping capabilities has obviously magnified the problem and frustrates any attempt at budgeting for future requirements. As a result, the producers could not reconstitute their stocks of raw materials and were thus being de-capitalized⁴. The impact was perhaps magnified because prices were declining just prior to the September events, thus skewing expectations about future prices.

Lack of Working Capital

Lack of working capital represents a serious operating constraint. This is in part a function of variable production and sales levels from month to month. Five of six enterprises interviewed are producing on order, with some off-the-street sales. According to the survey results, firms in the informal sector may be facing a working capital constraint simply because of an imbalance in the structure of their cash flows: 70% of them report extending credit to their own clients, while only 27% of the sample answered ever having received credit. This may well be compounded by the high seasonality of sales discussed below. One third of those receiving credit got it from another firm from the informal sector. Fifteen percent received it from a non bank firm from the formal sector, most likely in the form of suppliers credit; and 13% from money lenders. The rest satisfied their credit needs from other sources such as family or friends. Banks and cooperatives provided credit to only 3% of the sample. Lack of credit was rated as a serious problem by 69% of survey respondents. The unavailability of credit is ranked as the second

The above quoted INTER-OPD Document reports that some price increases ranged from 100% to 400% between September 1991 and August 1992. REGROUPEMENT INTER-OPD, op. cit. page 42. In the art craft sector, one exporter who subcontract to the informal sector indicated that the price of a used metal drum rose from 40 Gourdes 2-3 years ago to 125 Gourdes at the time of the survey. Drums are so expensive that they are disappearing: they used to be used twice in the formal commercial sector before being discarded and recycled in the steel carving crafts. Now they are used until they brake, thus reducing the supply to the informal sector.

most important constraint to business, being cited 11% of the times as the most severe constraint to business.

Queried about what they would do with additional funds, if they had access to them, 12% answered that they would pay debt, 22% that they would acquire new equipment, 19% that they would improve the work site, and 21% that they would invest in improving product quality. The low proportion of answers indicating that funds would be used for debt payments is surprising in view of the reported level of indebtedness. On average the reported debt level is 2190 Gourdes, an amount which is 2.4 times the level of weekly sales, and 5.8 times the amount of weekly income. Note that the debt level is higher in CH than in PAP (3,119 Gdes versus 2048 Gdes) but that the debt-to-income ratio is significantly higher in PAP (6.2) than in CH (3.9). Debt-to-sales ratios are similar in both places.

Lack of Sales

Lack of sales was cited by three of six businesses interviewed in depth as a major problem in running the enterprise and maintaining employment levels. Low sales levels and low market share were given as primary problems of their borrowers by the two of the main lenders to micro-enterprises in production sectors (HDF and MEDA). In the survey, insufficiency of demand was given as a serious problem for the business by 85% of the respondents who selected this factor as a problem. That was the highest ratio. Poor demand is ranked by far as the single most important constraint to business, being cited 26% of the times as the most severe constraint to business, more than twice the rating received by the next ranked constraint (lack of credit).

Lack of sales reflects the reduced buying power of consumers under present economic conditions. Discussions with organizations which have in the past been primary lenders to the small scale production sector (HDF, MEDA and Groupe Technologie Intermediare d'Haiti, GTIH), indicate that the problem is not lack of market awareness. The majority of businesses interviewed have not been doing direct marketing to attract new business, but relying upon established customers and "referrals" by customers to generate business orders. This is the case even where the producer has a reasonably good quality, locally marketable product for which sales might be increased with direct marketing to institutional and other users given improved economic conditions, i.e., some of the furniture makers. In addressing lack of marketing

and related skills among informal sector enterprises, donors wishing to intervene in the sector must also consider the widespread hesitancy to take risks which may not pay off. Fear of risk-taking is an ongoing characteristic of the informal sector in Haiti. This is exacerbated by the present climate of continuing economic and social uncertainty. Perhaps related to this is a pattern of lack of producer flexibility or reluctance to change product or production methods in the small scale sector. Reluctance to change has been noted as a constraint by GTIH in trying to induce small community level artisans to modify product and production technology in response to market factors, and by a commercial exporter of metal crafts endeavoring to introduce new products to sub-contractors as producers for the US. market

The weak demand for the informal sector's products is compounded by a very high degree of seasonality. For 55% of the respondents, December is the month of greatest sales, followed by October which reflects the impact of school openings on the level of economic activity. There are some variations across sectors: for the firms in production, December is even more important as 64% of the sample identified it as the month of greatest sale, while October is relatively less important, 9%. For services activities the situation is exactly reversed with October relatively more important, 18%, and December somewhat less so. Commercial activities showed a pattern close to the one of the overall sample.

Other Constraints: Health Conditions, Sanitation and Water

The informal sector operators suffer from other serious handicaps that relate to the deteriorated physical and social infrastructure. The most salient of them was that almost half (48%) of the sample reported having been sick during the first six months of the year. On average, 3 days of work were lost per month due to sickness. This is a very high number which reflects the poor sanitary conditions of urban areas and the glaring inadequacy of public health coverage. Insalubrious conditions and the problems associated with the lack of garbage removal was rated as a serious problem by 73% of survey respondents and ranked as the fourth most important constraint to business, being cited 8% of the times as the most severe constraint to business. Additionally, two third of the sample reported working in places without latrines.

If public health conditions are totally inadequate, they are likely to find the men and women of the informal sector in a particularly vulnerable

situation. The problem is that these people basically work all the time: only 11% of the individuals and 10% of the firms report ever taking vacations. Yet, on average they report working 10.3 hours per day, 6.3 days a week. This indicates that there is virtually no leisure time if additional allowance is made for transit time to and from work, and if household related work is taken into account in the case of women. This finding is consistent with data generated from other sources such as Simon Fass's book⁵, and the results of the Household Consumption and Expenditures Survey of 1986 and 1987. For the urban population, the HCES reported that 60% of the men and 63% of the women reported working between 8 and 15 hours a day. In the current circumstances of eroding real income, skyrocketing food and medicines prices, the workers of the informal sector are likely to be even more prone to debilitating sickness.

While power has received a lot of attention, the low levels of available utilities is evidenced by the critical unavailability and cost of water. On average, the cost of water represents 5% of monthly revenues, 6% in the case of individuals and 4% in the case of firms. But the situation is far more critical in PAP where the average is 6% than in CH where it is two third cheaper, 2%.

III. POLICY CONSIDERATIONS IN WORKING WITH THE INFORMAL SECTOR

Assimilation of Informal Businesses into the Formal Sector

Any agency attempting to work with this sector is immediately confronted with a question critical to success: Should the objective of assistance be assimilation of the target beneficiaries into the formal sector, with all this implies (government scrutiny, licensing, vulnerability to taxation)? And a corollary question: Do the clear advantages ("improved" space, better market information and opportunities, access to bank credit and greater "respectability") offset the responsibilities and restrictions of formalizing? In seeking to answer these related questions, program designers must consider the relative advantages of remaining informal. These are the following: (1)

location accessible and visible to customers and sources of supply, (2) relatively low visibility vis a vis municipal and government authorities as regards taxation, licensing, etc., (3) freedom to negotiate occupancy rights within the informal private sector and (4) relative control over the workspace and factors of production, marketing and delivery of products.

To survive, the informal sector owner/operator must maintain a delicate balance between factors which he feels he can and must control, and those which are of less importance, and he must have the flexibility to manage these factors within his market environment. To develop effective interventions, donors must identify and clearly understand the needs for control and address them in program design and implementation. If the delicate balance between these factors is severely altered at either stage, support programs to the informal sector are likely to be ineffective and unsustainable. A good illustration of the relative advantages of informality vs. formality, and the importance of business context and control, is one of an informal sector furniture maker who was interviewed by this assessment team. He produces in a street-side workshed which he doesn't own, but for which he pays an annual negotiated rent (fermier). He has traditionally produced and sold to known customers in a place where his clients can readily find him in the "quartier". He displays finished goods at the sidewalk. Customers know his merchandise, how he works and what they can expect in terms of product quality and delivery. He does not have to do much direct marketing to realize a certain level of sales and pay costs at an acceptable profit.

He is suddenly confronted with the choice of locating in a common "chantier" with other furniture producers, in exchange for more workspace, more dependable utilities and a "cleaner" working environment. What are his informal-to-formal trade-offs if he does agree to move. In exchange for "improved" facilities he is giving up a location where he knows his buyers can find him, for one where he may be hidden away off street in a different locale, distant from his customers and suppliers and among other businesses making similar products. When new walk-in customers come, he risks "encroachment" by other producers in the "chantier" to try to woo customers away. He relinquishes to some extent the informal advantage of invisibility as regards the municipal authorities and taxation, for increased visibility as an operator in the "furniture producers yard".

Access to a common and more consistent source of electricity may be a clear advantage, and is a factor over which he may be willing to give up control. Invisibility before the authorities and accessibility to existing and new customers are factors over which he may not be able to relinquish control. This example illustrates another fact. This is that the move from "informality" to "formality" is one of degree. Some businesses may never make the move completely but may benefit from specific interventions which assist them in building production, sales, income and employment. The implication for donor assistance to the informal sector is that interventions can be more effectively targeted to such businesses if they are built around types of assistance which offer clear advantages to the owner within his sector and context for doing business. Movement of businesses from "informal" to "formal" sector per se is not a realistic objective for program assistance. Using direct assistance, donors may attempt to make an informal business more formal in some senses (improved, serviced workspace), but not in others (too sophisticated and inappropriate technology).

In approaching project design for informal sector support, specific concepts such as "chantiers communs" must be examined through a consultative process carried out with producers in the potential target sub-sectors. The inquiry should begin with a simple, open-ended question: What would improve the way you do your business? This should be supported with observation of typical workplaces and their patterns of operation over time. There are generally accepted procedures, practices and ethics in the informal sector. Likewise, small producers and sellers in the markets enjoy their established workplaces and customers. They respect and do not encroach upon the "localizations" of others. There is some evidence that market sellers informally fix prices and margins for goods sold and abide by them. Formal institutions have not adapted well to multi-faceted relationships which drive the informal sector in Haiti. Recent research studies conducted in urban and rural areas indicate that semi-formal and informal institutions have adapted more effectively to the complex set of social and economic needs.

Policy Initiatives to Support Informal Sector Activities

As part of the further development, analysis and final design of a prospective USAID project aimed at strengthening the informal sector, policy

initiatives should be explored in the following areas. These are indicative, subject to further analysis of economic and political constraints. The area of foremost concern should be the macro-economic policies⁶ which have greatly altered price structure, availability of raw and processed materials and availability of markets for Haitian producers, and contributed to widespread de-capitalization of informal sector businesses caught unaware in the inflationary cycle. These include the fiscal imbalances and related monetary policies which have driven down currency values and created foreign currency shortages, combined with import policies which have had the effect of encouraging some "lucrative" imports at inflated prices, while at the same time restricting availability of key parts, raw materials and other goods needed by the Haitian small economic sector.

The infrastructure and its maintenance have greatly deteriorated over the past two years. This has created daily power shortages for businesses, reduced access to clean water and subjected work sites on or near the streets to constant inundation's from sewer runoff and encroachments of uncollected garbage. Furthermore, transit times have increased because of deteriorated roads, and the economic downturn has shrunk markets and made competition more acute as a result of reduced opportunities in the formal sector. The general weakening of social discipline has led to crowded public accesses and sidewalks, with negative impact on the health and safety of sellers and urban pedestrians.

In order to effectively generate improved production and working conditions in the informal sector, donor support programs must be directed to effecting changes in public policies regarding improvement and maintenance of infrastructure at the downtown and neighborhood levels, and creation of more appropriate workspaces for urban informal operators. First, infrastructural priorities for further analysis in project design should be as follows: (1) availability of electricity for longer and more consistent periods during the workday, (2) repair and cleaning of sewers, run-off basins and water supply systems and (3) repair of major damage to main streets for commercial activity.

It is recognized that such policies cannot be dealt with in the context of an Informal Sector Project. Yet, if such policies are lacking, there is little that a project can do to sustain productivity and income growth in a durable way.

Second, discussions should be held with local level officials regarding the feasibility and willingness to close certain streets to vehicle traffic and construct urban spaces where market sellers can carry out their businesses under more sanitary conditions, without encroaching upon other urban users. A third area for investigation with public policy-makers would be feasibility of acquiring and servicing public land for common work sites for informal sector operators in certain sub-sectors, and the regulatory means for establishing valid rental tenure for those who may choose to locate in common, fixed workplaces (chantiers communs).

The preceding analysis leads to a potential policy dilemma: should the dire needs of the urban physical infrastructure be addressed through an informal sector initiative or should they be tackled through an urban renewal project? In a sense the two aspects are intimately linked and a case can be made for an urban policy approach. Obviously the anarchic occupation of urban space by commercial vendors reflect the fact that over the past decades little modern formal market space has been added while urban population growth has accelerated. Similarly, the needs for many critical services (e.g. cooking food for the industrial labor force, providing repair services to the aging fleet of public transportation) have been left to private sector initiatives at the micro level but without guidance, framework, appropriate controls or support. Thus, in the long run an explicit and coherent urban policy and physical rehabilitation programs will have to be developed to prevent the urban areas from choking. Yet, there is a scope for limited physical interventions in the context of an informal sector project.

The key parameter is to identify areas where limited and precise actions can be implemented to solve narrowly specified problems. The lack of suitable urban markets in the Port-au-Prince metropolitan area constitute an excellent case in point. Urgent consideration should thus be given to the modernization and improvement of the existing facilities. The further development of additional covered or semi-covered market structures with basic services, space design and allocation which are adapted to the practices and locational preferences of market participants should receive a high priority in conjunction with the local authorities' ability to manage such structures. The awful conditions under which the industrial workers receive their daily meal present a second narrowly defined challenge. A component of the informal sector project could look into the feasibility of upgrading the current conditions. That

would involve improving the cooking and eating areas with the provision of more permanent space that would incorporate at a minimum proper storage areas, sitting areas, and garbage collection areas. A last component in the physical infrastructure aspect could be the funding of specified activities such as the erection by local groups of small neighborhood facilities such as simple market structures, or community work space. A ceiling of say US \$ 50,000 could be put on individual projects while the total should not exceed US \$ 750,000. These projects should be done in cooperation with the local authorities.

IV. POTENTIAL ACTIVITIES OR INTERVENTIONS

As a result of survey data and field interviews with potential beneficiaries in the informal sector, the assessment team has developed a preliminary list of interventions which might be addressed by USAID/Haiti through an Informal Sector Support Project. These are the following, not necessarily given in order of priority:

- Specific interventions such as credit assistance with the twin objectives of:
 - providing financial resources to informal sector businesses which have growth potential and evident needs for working capital;
 - gradually introducing viable, creditworthy businesses to the commercial banking sector.

- Sectoral interventions including organizational, technical and training support to certain categories of economic operators in the informal sector, to improve their ability to do bulk buying and better sourcing of raw materials, position and market their products, manage the business and acquire other resources enhancing production, sales and earnings.

- Infrastructural improvements to the general downtown and neighborhood areas, including water and sewer repair, better garbage collection, street closures and construction of improved and serviced workplaces for some categories of informal sector operators.

Each type of intervention must be further defined and vetted through intensive consultations with potential users and observation of work patterns and practices, as part of the development of the final design in the Project Paper.

Another critical feature that needs to be taken into account in the Project Paper process relates to the very weak institutional framework currently available to assist the informal sector. There is obviously little or no public sector effort since the shutting off of the International Labor Organization sponsored project with the Ministry of Social Affairs in late 1991. As regards the NGOs, most are involved with the rural sector while those that operate in the urban areas have a social (e.g. health, mother-child care) rather than productive outlook. Thus, there are very few existing institutional channels to reach potential client population in the informal sector⁷. There is therefore an acute need to build institutional capabilities to deal with the urban informal sector. The current demographic trends indicate clearly that this will develop into an ever more acute problem unless something is done quickly.

Assuming that a satisfactory resolution of the political crisis opens the doors to renewed cooperation with the public sector, USAID could consider three options:

- The first would be to work with and strengthen some existing NGOs currently operating in the urban informal sector. The choices are not numerous and most entities appear to be operating near or at their maximum institutional capability. There is thus a significant risk of institutional overloading.

- The second option would require for the creation from scratch of a new NGO to address the needs of the urban informal sector. Such a strategy would be costly, would take a long lead time to become operational and would significantly increase the risk of dependency, leaving the sustainability of the endeavor in doubt. Furthermore, given the multiple needs of a diffuse and heterogeneous informal sector, it is difficult to conceive of a private entity that could address all such needs across the board. The alternative would be a complex task of creating many new entities at once, a complication to be avoided if viable alternatives are possible.

Except of course for the entities involved in the credit area.

o The best option would be to attempt to work with the **elected local authorities** to establish at the **municipal level** a capability to deal with the **informal sector** in a supportive fashion. The idea would be to start a small pilot project with two to three municipalities including one or two in the Port-au-Prince Metropolitan area⁸. The objective would be to establish a focal point where the problems of the informal could be addressed and where the impact of general urban policies on the informal sector would be critically analyzed. The proposed capability would not only be of an analytic nature but would also constitute the channel through which some of the proposed activities or interventions could take place. A non-trivial side benefit of such an approach would be to give practical content to a range of decentralization initiatives, while providing local authorities with both a functional mission and access to foreign resources, thus breaking the monopoly enjoyed by the central government on the latter.

V. SPECIFIC AREAS FOR POSSIBLE USAID INTERVENTIONS

As a result of the informal sector assessment, the team recommends for further consideration several interventions for potential USAID financing in FY 1994 through 1996, which most appropriately address informal sector problems and constraints. These are presented in the following sections, with careful attention to key linkages and significant degree of synergy between the various elements proposed. In developing these recommendations, the assessment team has also endeavored to make a clear distinction between global impact (infrastructural interventions) and specific interventions providing business support affecting certain market groups.

Credit Support for Micro-Enterprises

In the development of the informal as well as the formal sector in a developing country, credit alone is generally not the problem, nor the answer. It is simply one of the tools which can be employed to increase productivity, income and employment among small-scale economic activities. Yet the international experience with dealing with the informal sector shows that credit has been the key instrument of intervention, associated with training and

The Metropolitan area includes four municipalities: Carrefour, Delmas, Petionville and Port-au-Prince.

technical assistance in production methods⁹. This is the case in Haiti. The need for working capital is consistently indicated in interviews with private informal sector operators and their development services providers. The impacts of the embargo-induced economic crisis have elevated credit to a higher level in the hierarchy of needs. At the same time, credit support, if provided, must be adapted to the needs and capacities of potential beneficiaries to use financial services, and also institutionalized in a way which does not duplicate operations of existing non-bank intermediaries serving the informal sector.

The key rationale to justify a credit operation stems directly from the foregoing analysis. The result of the inflationary outburst has been to reduce the real value of the amounts made available to beneficiaries. In other words, a minimal objective would be merely to restore the real level of funding available to that sector. On the other hand, while borrowers should have been the winners during the inflationary episode, the inability of informal producers to grasp properly the unfolding trends and to implement the appropriate pricing policy meant that they missed the opportunity. Worse, to the extent that they had to stay current on their existing debt obligations, the adjustment implied sacrificing other expenditures, such as schooling for the children, or even selling off tools and machinery.

Under a potential USAID informal sector support project, credit assistance should produce a differentiated benefit in terms of increased financial intermediation between the informal sector and formal institutions. To benefit businesses, it must be employed in the context of a more comprehensive set of supports, addressing identified sectoral needs for technical assistance in management, marketing, pricing and product improvement, improved workspace, better infrastructure and improved sourcing of raw materials. The key design questions posed by the assessment team have been the following: Is there an outstanding need for credit-related services which cannot realistically be met by one or more non-bank intermediaries extending credit to the informal sector (HDF, MEDA, FHAF)? If so, what is the most appropriate and efficient modality for extending credit access in a non-duplicative way?

See for example the recent publications of the OECD Development Centre. Harold LUBELL: THE INFORMAL SECTOR IN THE 1980s AND 1990s; Paris 1991 and D. TURNHAM, B. SALOME and A. SCHWARTZ Eds.: THE INFORMAL SECTOR REVISITED; Paris 1990.

Existing Credit Facilities for Informal Enterprises

- In-depth interviews were held with the institutions known to be involved with some form of credit to informal sector and micro-enterprises. Information provided by managers indicates that the existing non-bank credit institutions serve informal sector clients with similar characteristics, needs for credit and risk structure. Three agencies which are most active in extending credit to informal enterprises are Haitian Development Foundation (HDF), Mennonite Economic Development Association (MEDA) and Fondation Haitienne Pour Assistance aux Femmes (FHAF). Each is a non-bank intermediary (NBI), providing both small credits and related technical assistance or training in small business improvement. Current portfolios managed range in size from as low as (est.) USD 80,000 (FHAF) to a mid-range of USD 400,000 (MEDA), to as high as USD 1,230,000 (HDF). Loan amounts range from as low as USD 46 to \$1,000 (FHAF), to as high as USD 1,000 to 6,000 (HDF). The average loan size ranges from less than USD 200 (FHAF) to USD 1,150 (MEDA) and USD 1,500 (HDF).

Each of these NBIs is serving businesses predominantly in the informal sector. These are existing enterprises without access to formal credit. The majority of businesses in the MEDA and HDF portfolios are headed by an owner (proprietaire) who may have several employees or apprentices. Borrowers in most cases have a Carte d'Identite but are not necessarily registered businesses. MEDA and HDF clients have fixed working places, while this varies with FHAF's clientele, which includes significant numbers of market women and food servers. Commerce tends to predominate, and this is an increasing trend with the advent of the embargo, but each NBI has served a significant number of production and service enterprises. Sample loans given by managers at HDF and MEDA indicate that these agencies have extended credit to clients in some of the same sectors surveyed by this informal sector assessment: metalworking, furniture-making, construction materials fabrication, tailoring, vehicle and equipment repair and other services and artisanal activities. Tailoring, food preparation and sale and artisanal and commercial activities are served by FHAF lending facilities.

Each of the three primary NBIs has applied similar credit delivery systems in working with individual borrowers in the informal sector. FHAF and MEDA have worked as well with groups, in the latter case charging the

group with responsibility for repayment of loans to members. FHAF has established a shared risk guarantee facility with a commercial bank and Women's World Banking, where the objective is to gradually move creditworthy individual borrowers into the bank. Similar problems have been cited by management of each NBI working with borrowers from the informal sector. Primary problems are (1) insufficient market (low sales volume), (2) lack of working capital and (3) gradual decapitalization as a partial result of inflation. Special working constraints for these lenders include limited educational level of most borrowers (mainly primary school), lack of skills to obtain a larger market share and resistance to change on the part of production or service businesses, in an environment of continuing uncertainty.

The vast majority of client businesses have had no experience with formal lenders and the "credit process" before borrowing from the NBI making the loan. In the present economic climate, most of these informal borrowers generate limited cash flows in terms of meeting requirements for savings or paying full fees for technical services rendered. Two of the NBIs serving the highest proportion of micro-and informal sector businesses (MEDA and FHAF), indicate there is a strong and consistent demand for credit, for working capital and in some cases acquisition of improved equipment and tools (investment capital). At the present time, the capacity of these institutions to meet the needs is limited, due to lack of funds (a function of aid suspension after the 1991 coup). Lacking new resources to fund new clients, both MEDA and HDF are using funds from reflows to make second and third repeat loans to existing clients. HDF also benefits from access to a trust account financed by SOFIHDES's repayments of an old USAID loan.

Existing intermediaries and other organizations working with the informal sector show significant potential in terms of identifying and linking borrowers with formal lending institutions. The latter include two medium scale exporters of decorative metal craft products to the U.S. and other North American markets, who supply and technically assist a number of sub-contractors, who in turn farm work out to local artisans and deliver finished orders. A credit opportunity here is for extension of working materials credits to sub-contractors upon presentation of the valid contract. Other NGOs working with community development, infrastructure and small scale economic activities are also potential sources of informal sector borrowers (artisan activities, shoe-making). One such NGO (Groupe Technologie

Intermediare d'Haiti-GTIH) has developed but not yet realized funding for a loan guarantee fund for extending bank loans to sectorally organized informal enterprises, in conjunction with ongoing and planned projects in neighborhood and infrastructural improvement in Port-au-Prince.

At the same time, each of the non-bank intermediaries or NGOs interviewed has demonstrated a close working knowledge of the needs and capacities of actual (or potential) borrowers to use financial and related services. This experience has been gained for the most part through delivery of credit, technical services and training to informal sector businesses. For the agencies making credit available (MEDA, HDF, FHAF), this has taken the form of assistance in project analysis and loan preparation and the provision of after-loan follow up to improve recovery. FHAF and HDF have offered training to borrowers in areas including accounting, financial management and credit utilization. Both agencies would like to run or refer clients to specific training courses assisting business which are sectorally grouped to improve marketing, sourcing and product quality.

These NBIs have a track record in successfully working with informal businesses as clients for credit and technical services. This experience is a valuable resource and should be employed to assist in moving informal business with growth potential into formal banking institutions, freeing up limited NGO credit funds and technical resources for serving the more intensive requirements of new informal sector entrants into the non-bank credit market.

In order to facilitate the process of introducing growth potential micro-enterprises to the banks, while benefiting from the technical capabilities of NGOs, the assessment team is proposing for USAID consideration the design and funding of a Loan Guarantee Fund for informal sector enterprises. The Fund would work under a lending agreement with a commercial bank, and enable it to extend loans to informal sector borrowers on a no-risk basis. The objectives of the Fund would be the following:

- o Gradually introduce growth-oriented, well-managed informal sector enterprises into the banks, as customers based upon their own repayment performance and capacity to manage and use funds well.

- Assisting creditworthy businesses in establishing credit histories which can be used to secure additional bank and other resources.
- Establishing among informal sector operators the legitimacy of formal banks as institutions to be repaid, and to be depended upon for reliable financial services geared to the user's needs and capacities to use them.

The reduction of lending risk would be accomplished through two mechanisms. These are:

- A loan guarantee (at a negotiated per cent of the loan value - e.g. 50% or 75%), provided to the bank in the form of a guarantee fund and placed within a blocked account, upon which the bank could draw to recover defaulted amounts on a loan to an informal sector enterprise. Guaranties should be less than 100% to impose a degree of discipline and risk sharing on the banks.
- Loan administration by qualified NGOs which would identify potential borrowers, analyze projects, prepare loan applications and approve credits. Such NGOs would also provide intensive post-loan follow up needed for sound fund management and full loan recovery.

Preliminary identification of target sectors indicates that guarantees and supporting project-related services could be extended to informal sector enterprises in a number of sub-sectors. This would be done on the basis of organization and extension of a variety of services to businesses as part of sectoral groups or associations. Illustrative groupings are the following:

- Furniture makers
- Producer associations (e.g. leather working businesses)
- Iron cutters producing decorative metal craft products
- Coffin makers
- Food sellers in the industrial sector
- Car repair businesses

Based upon credit absorption estimates given by the primary NBIs and NGOs serving informal sector enterprises, the Fund would be initially

capitalized at USD 1,5 million, providing guarantee coverage for an anticipated volume of USD 4,300,000 in credit, to be administrated by participating NGO's over three program years (1994 through 1996). Preliminary sizing of the Loan Guarantee Fund has been done based upon projections provided by four NGO's as potential participants (MEDA, FHAF, CAH, GTIH), and it assumes turnover of guarantee funds three times in three years. This turnover would be based upon largely short term working capital credits (up to six months). (See Summary Credit Absorption Analysis in Annex I).

The Loan Guarantee Fund would be extended to credits originated by the commercial bank subject to program eligibility criteria. To ensure credit allocation to a wide variety of sectors and business types, and encourage competition among NGO's as Non-Bank Intermediaries, a percentage of the Loan Guarantee Fund would be "allocated" by an umbrella organization like HAVA to each participating member NGO, based upon past volume of credit extended and projected funds absorption capability of its client businesses. .

Potential Risk Factors in Administering Loan Guarantee Fund

Past experience with guarantee funds extended in conjunction with bank lending to informal sector enterprises, reveals several inherent risks which if unaddressed in project design and conditionalities may limit credit impact upon target businesses, and the extent to which the participating bank is willing to accept as customers businesses which have proven their creditworthiness through loan repayment. These factors include:

- Commercial bank tendency to make "early calls" on overdue loans in high risk sectors, without attempting to bring them current.
- Danger of "adverse selection" or banks' acceptance of only the top tier or lowest risk clients as permanent customers.
- Continued bank dependence upon the guarantee fund in making follow-on loans to proven borrowers, i.e., reluctance to accept proven borrowers as balance sheet banking customers, freeing up funds so a new group of entrants to the formal credit market can benefit.

- Likelihood of negative interest rates, in response to borrower capacity to pay and prevailing economic conditions.
- Risk of non-repayment of credit, due to reasons beyond the borrower's control.
- Risk of a moral hazard on the part of the lending bank, which might reduce performance and monitoring standards on the grounds that the loan is covered by a guarantee.

Reducing Risk Factors

Discouraging "Early Calls" on Loans

This risk could be mitigated through establishment within the Guarantee Agreement with the bank of specific criteria defining when (1) a loan has gone into default, (2) the amounts due and unpaid are irrecoverable and (3) the bank is eligible to "call" the guarantee, or draw down upon the blocked Loan Guarantee Fund Account. Also, claims on the Guarantee Fund would be made on a "net" basis, after deducting all recoveries of principal and interest due. A useful criterion for classifying a loan in default is 90 days or more past due and unpaid. At such time, the participating lender could call the loan based upon demonstration that all reasonable attempts have been made to collect amounts due and unpaid.

Preventing Adverse Selection

"Adverse selection", or extreme borrower selectivity on the part of banks, has occurred under the administration of many lines of credit destined for small-to-medium scale businesses in developing countries. One way of avoiding adverse selection is to charge outside organizations familiar with the high risk borrower group with the key functions of project screening, loan analysis and preparation and credit approval. This control would be built into the proposed Loan Guarantee Fund component through transfer of responsibility for these functions to several qualified and experienced NGO's working with informal sector businesses and credit.

Encouraging Banks to Assume Risk on Proven Borrowers

- Guarantee funds are intended to serve as a catalyst for introducing creditworthy borrowers to banks, based upon their own repayment performance. In order to meet this objective, funds use must be "time-dated", inducing the bank to move proven customers into their regular portfolios and freeing up funds to provide guarantee cover for new entrants. To avoid bank dependence upon guarantee-backed lending, the proposed Loan Guarantee Fund would progressively shift risk to the participating bank by requiring that the administering NGO set a cap, or maximum number of successive loans which could be guaranteed for any one borrower. Initially, it is anticipated that loans would be largely short term working capital credits (four to six months). In such cases, the maximum period for guarantee coverage per borrower could be set at two to three years, during which time the client would be expected to successfully repay each loan extended on time and in full. Once the borrower had successfully repaid and established his creditworthiness, his working capital loans would no longer be eligible for guarantee coverage.

For informal sector businesses with real growth potential, loans and guarantee coverage would have to be adjusted over time to accommodate a gradual progression from short term working capital credits, to larger investment-oriented credits. That is, credit would have to be made to the client business in "tranches". As the business owner demonstrated his ability to manage and repay small working capital credits, the bank could extend larger and longer term credits (1-2 years) for acquisition of improved machinery of intermediate technology initially using guarantee coverage.

To further reduce risk of bank dependency upon guarantee funds, benchmarks would be set for moving loan administration responsibility for a seasoned borrower from the NGO to the bank. Benchmarks could for example be set at (1) successful repayment of a third or fourth working capital credit, for transfer of credit analysis responsibility to the bank and at (2) successful repayment of a fifth loan for transfer of credit analysis AND loan supervision to the lending institution. Similarly, extension of small investment credits could begin with NGO project analysis and loan supervision, gradually shifting responsibility for these tasks to the bank after successful repayment of several of such loans.

Negative Interest Rates

- Under prevailing macro-economic conditions in Haiti, a guaranteed loan program is likely to initially extend credit at "negative" interest rates. However, such a guarantee facility could be set up as part of the overall economic stabilization process. Once key policies were in place, and real annual inflation had begun to come down, negative interest rates would no longer be an issue in the context of falling inflation, aligning "market" rates with affordable rates for small scale borrowers.

Risk of Non-Payment

The biggest risk factor for banks doing small enterprise lending is borrower default. This may be non-willful default, based upon inability of the business to repay (project viability, sudden market changes or price shocks), or willful default based upon owner unwillingness to do so and/or funds diversion. To reduce the risk of non-willful default, the proposed Loan Guarantee Fund would be implemented in conjunction with intensive pre- and post-loan services delivered to borrowers by qualified NGO's. Services would include project and borrower analysis, determination of monthly income and cash flow adequacy to repay debt service, and follow up to spot and resolve problems which might affect repayment.

As a further measure for risk reduction, loan guarantees would be extended under this component as part of a comprehensive group of services delivered to informal sector borrowers. These would include technical assistance and training in (1) credit use and simple financial management, (2) regroupement for receipt of technical aide in product improvement and marketing, (3) assistance in bulk sourcing of better raw materials, and (4) installation of improved infrastructure enhancing productivity, and sales. These services would be delivered to target borrowers in conjunction with downtown and neighborhood improvement projects in "quartiers" where many informal sector enterprises operate, such as those targeted by the GTID infrastructure project (proposed expansion from six to 15 areas in Port-au-Prince).

Cultural Factors and Successful Introduction of Borrowers to Banks

- One of the key objectives set out for the proposed Loan Guarantee Fund is "establishment of the legitimacy of formal banks as institutions to be respected and repaid". Accomplishing this objective will become a question of adapting institutional practices, terms and conditions as much as possible to the cultural expectations and practices of informal sector agents, as regards using and interacting with formal institutions. As with other transactions in Haiti, the process of borrowing and repaying is subject to social patterns and needs which are respected within a complex set of relationships which govern in the informal sector, but which are not typically reflected in formal institutions. When one party lends something to another, it is up to the borrower to repay or return it in his own time, not to the "lender" to go after the borrower to return it.

In their past interactions with development lending institutions, Haitians have frequently been asked to invest their savings and/or abide by rules for obtaining credit resources. In many cases, they have received nothing in return (example of the leader/borrower dominated SACs for group-guaranteed agricultural lending under the BCA), or they have not respected rules for repayment, viewing Government-provided credit as money which belongs to the people and therefore need not be repaid. Through the years, Haitians have also been heavily taxed, often on an "informal" basis, and this has bred additional mistrust of formal institutions.

The vast majority of Haitians operate in the informal sector, with no access to formal banks and no experience in using them even for depositing money. Before an intervention can successfully build confidence and respect for a bank as an institution to be repaid, the program and participating institutions must take steps to adapt services offered, terms and conditions and the benefit delivered to the pattern of needs, cultural expectations and capacities of Haitians to use financial services. The process of selling informal users on the concept of using banks and trusting them will take time. It must begin with close attention at project design to how Haitians take loans in the informal sector and under what conditions, how their needs for money are met (type and frequency) and the how rules and sanctions are enforced as regards repayment of the obligation. Once these factors are understood, terms and

conditions for access to credit and its repayment must be adapted as closely as possible to culturally-based practices and expectations.

A major adjustment for the participating bank in the proposed Loan Guarantee Scheme, will be the according and management of very short term credits (six months or less) for small amounts of working capital. Such a lending scheme must adapt itself to the financial reality of Haiti, which is the frequent need for small amounts of outside funds. Working in conjunction with NGOs familiar with practices of the informal sector, the bank will also have to adapt services which encourage small savers to use the bank and give them access to at least part of their deposit funds at short intervals, to meet short-term liquidity needs. In providing an interrelated package of services adapted to the informal client's needs, the bank can begin to replicate the multi-faceted relationships which he enjoys with other institutions.

The assessment team is fully aware that the proposal to set up a loan guarantee scheme may be seen as a somewhat controversial proposition, fraught with hazards and perhaps precedent-setting for other lending programs. The feasibility of such a mechanism, its extent, terms and coverage clearly must be established through further analysis.

Other Informal Sector Credit Needs

Some of the smaller and less sophisticated clients of existing NGOs in Haiti will not be ready in the short-to-medium term to be considered for entry into banks even under the umbrella of a guarantee scheme. Yet these businesses represent important segments of the country's economy and will remain in need of NGO financing for the foreseeable future. Yet the combined impact of currency devaluation and inflation have eroded the value of existing credit funds of such NGOs. To extend the impact of limited credit funds available to experienced NGOs, USAID might consider topping them up with small credit funds targeted to a limited number of NGOs active in the informal sector with market groups, artisans and other very small scale operators. Funds could be allocated to and absorbed by the following NGOs, in the following illustrative amounts, over a 3-year period:

MEDA - G 10 to 25 million¹⁰

- Fhaf - G 5 to 8 million

CAH - G 3 to 5 million

Other NGOs to be identified: around G 5 million

We estimate that the likely total will amount to around US \$ 3.5 million assuming a stabilization of the Gourde in the 12.5 to 13.5 range.

Total Guarantee Funds: US \$ 1,5 million

Total Credit Assistance: about US \$ 5 million

Institutional Strengthening for Credit Administration

To strengthen the capacity of non-bank intermediaries in carrying out loan administration for informal sector enterprises under the Loan Guarantee Fund, it is recommended that USAID/Haiti consider providing a grant of about US \$ 525,000 (35% of the amount of anticipated Loan Guarantee Fund). Grant money would be used by participating NGOs specifically for upgrading staff capacity to do project analysis and preparation and after loan follow up, develop improved computerized portfolio management and loan accounting systems and carry out general staff development. This assistance will be negotiated on a case-by-case basis to avoid undermining sustainability.

Improved Management and Marketing for Informal Entrepreneurs

Provision of formal training and/or technical assistance to informal sector operators, will require significant adaptations to basic approaches and techniques used by local management and development agencies for larger scale businesses. This was clearly indicated in discussions held with the Center for Management and Productivity (CMP), a non-governmental technical agency providing technical services and training for top and middle level

US \$ equivalent for these amounts will obviously depend on the exchange rate; we will thus not burden the reader with false precision at this stage.

Haitian businesses. Among required adaptations would be tailoring of the curriculum to the average level of experience and ability to communicate business concepts among informal sector operators. Most of those interviewed in depth and many of the survey respondents had only primary educations. Their language of business is Creole, and they are not generally accustomed to doing formal market research or negotiating business transactions with formal sector businesses. However, the development of linkages with the formal sector is one of the objectives of prospective activities to benefit informal operators. Training should therefore be directed not only at improving their access to information and providing labor-saving techniques, but also at raising their general level of sophistication and their ability to deal with other players in the economy on a more equal basis.

Management of CMP has been looking for ways to extend its basic seminar curriculum in finance, basic management, marketing and sales to serve smaller scale businesses. Two of the constraints they have identified are (1) need to adapt program materials to communicate concepts in a way in which they can be used by the informal sector and (2) necessity to provide a subsidy for trainees. Previous attempts to reach small entrepreneurs with yearly training courses have indicated that they cannot pay the standard H\$190 per course paid by larger operators. During discussions with other agencies (HDF, MEDA), CMP's training capabilities and programs were mentioned as resources which might be brought to bear on upgrading marketing and product improvement skills for informal sector businesses. CMP is interested in developing and delivering monthly group seminars for small scale operators in basic management skills. Coursework would address marketing (securing market information, analyzing market needs, positioning and pricing the product), meeting with the public and communicating with resource agencies and the larger business community) and other areas. Instruction and materials would be translated into Creole and adapted to business and educational levels of participants.

Seminars would be given at the rate of four per month (25 participants each), for a total of 100 operators trained monthly and 1200 trained annually. Over a three year project period, some 3600 would receive training under such a program. Informal sector operators would be regrouped and provided with training based upon sectoral operation of activities confronted with similar problems and resource needs. Training location, duration and frequency per

week/month would be adapted to the time constraints of informal sector operators, who cannot leave their businesses for extended periods of time. Fee structure and any subsidy provided would likewise be adapted to their average capacity to pay.

To address these needs, it is recommended that USAID/Haiti consider providing a grant to CMP or a similarly qualified agency to design, conduct and evaluate a training program for basic skills upgrading for informal sector entrepreneurs. The grant would be for three years at \$100,000 per year, or a total of \$300,000. Funds disbursement would be structured to allow for a one-year pilot phase, followed by evaluation of training results. With favorable evaluation results, funding could be disbursed for two additional years, allowing for training delivery to 3600 trainees (1200 per year over three years). Funds would be utilized by the recipient agency for (1) adaptation of training curriculum and materials to level of trainee to be served, (2) translation into Creole, (3) purchase and installation of improved computer equipment for storing market and other information related to training and (4) provision of a subsidy for trainees to top up their capacity to pay fees for training. Subsidy would be based upon a CMP working estimate that about 25% could pay fees.

VI. NEEDS FOR FURTHER RESEARCH

○ Systematic monitoring and evaluations are required to appreciate the relevance of trends in the informal sector for the overall labor market in both the rural and urban components. Unfortunately, there is a total lack of systematic information on the labor market. This has prevented us from comparing the data generated by the survey with other more macro information that would have put our own findings in a comparative perspective. The only partial source of information was the Household Consumption and Expenditures Surveys that were funded by the Mission but which have been suspended since 1987. A high priority should be given to the resumption of such an effort.

○ We do not know anything about the relative efficiency of the widespread apprenticeship efforts taking place in the informal sector. In particular, how do they compare to formal and more expensive training programs? One has a lingering impression that the formal vocational training

programs are putting out graduates with skills for which there is no demand in the formal economy, so that many graduates end up migrating out of the country. This deserves close attention, as do the prospects of enhancing the informal apprenticeship programs.

- Specific interventions should be based on detailed socio-economic surveys of the needs and circumstances of those to be affected. Their views should be incorporated at an early phase. A related issue is the scope for NGO interventions in the informal sector. Most of such interventions have been targeted to the numerically more important rural sector; yet one senses that there could be opportunities in the informal sector that would go beyond poverty alleviation. They could be related to the information needs of informal sector firms; to training needs in the informal sector.

- A particular area that deserves close attention is an assessment of the needs for new urban markets in the major urban areas. Part of the visual impact of the informal sector on Haitian cities stems from the fact that most of the trading activities takes place out in the open due to a lack of appropriate market places. Why are those already constructed not always properly used (e.g. in Petionville)? How do market ladies perceive these structures? How could they be made more responsive to their needs? In conjunction with the assessment of the informal sector, USAID/Haiti commissioned two parallel studies, one to examine the physical nature of informal marketplaces and their infrastructural requirements and the other to look at the cultural aspects of potential project interventions and their probable level of acceptance by informal sector operators. The infrastructure study was completed in November 1993 by a Haitian architect/city planner consultant and is attached as Annex D to this report. The second study to be undertaken by an anthropologist/sociologist had to be deferred because of unrest arising from the unstable political situation, since informal market operators were too suspicious and fearful to be interviewed. This important element of the overall assessment will be completed as soon as conditions permit.

- The Centre De Promotion De La Femme Ouvriere (CPFO) should be considered for two studies. The first one would be a metropolitan wide assessment of commercial food cooking activities for low income workers (an activity usually done out in the open), with the goal of suggesting how the women who do this work could be helped to improve their operations from a

nutritional, technical (e.g. regarding the use of more energy efficient stoves), sanitary and financial point of view. The second study would be a more narrow prefeasibility study of improving the cooking/eating areas in the industrial zone, with the same criteria in mind.

Next Steps in Planning an Informal Sector Project

This assessment has attempted to present and analyze major constraints facing informal sector businesses, supplemented by a separate statistical annex offering a series of data sets derived from the survey by Turbo System consultants of 1,800 informal sector businesses and explaining the methodology of the survey. Since this annex is both voluminous and technically detailed, it is not being generally circulated, but is available for review in the USAID Private Enterprise and Agricultural Development Office (PADO).

Assuming, following a review of this assessment by USAID/Haiti, it is decided to pursue a project in the informal sector, the Mission will prepare a New Project Description (a 3-4 page summary proposal) for submission to the AID's Latin America and Caribbean Bureau. If the project idea is approved in Washington, the Mission will prepare a Project Paper, presenting the project in detail, with supporting analysis drawn in part from this assessment and a description of arrangements for implementation and budgetary requirements. The timing for the completion of design and start-up of the project has not yet been determined, owing in part to political uncertainties in Haiti, but it should be noted that the prospective project is intended to be carried out using appropriate PVO/NGO organizations, and although the cooperation and blessing of the Government of Haiti are desirable, it will not be directly involved as an implementing agency. However, the assessment does recommend official linkages with local elected government at the municipal level and raises the possibility of direct project involvement and funding at this level. It is a policy question as to whether USAID can enter into this kind of relationship at the level of local government, if a bilateral program still does not exist at the level of the national government. Nevertheless, since the informal sector has been a primary, if unintended, victim of the two-year political crisis and the trade and fuel embargo, it is imperative that the mounting problems of this large and important sector of the Haitian economy be addressed as soon as possible.

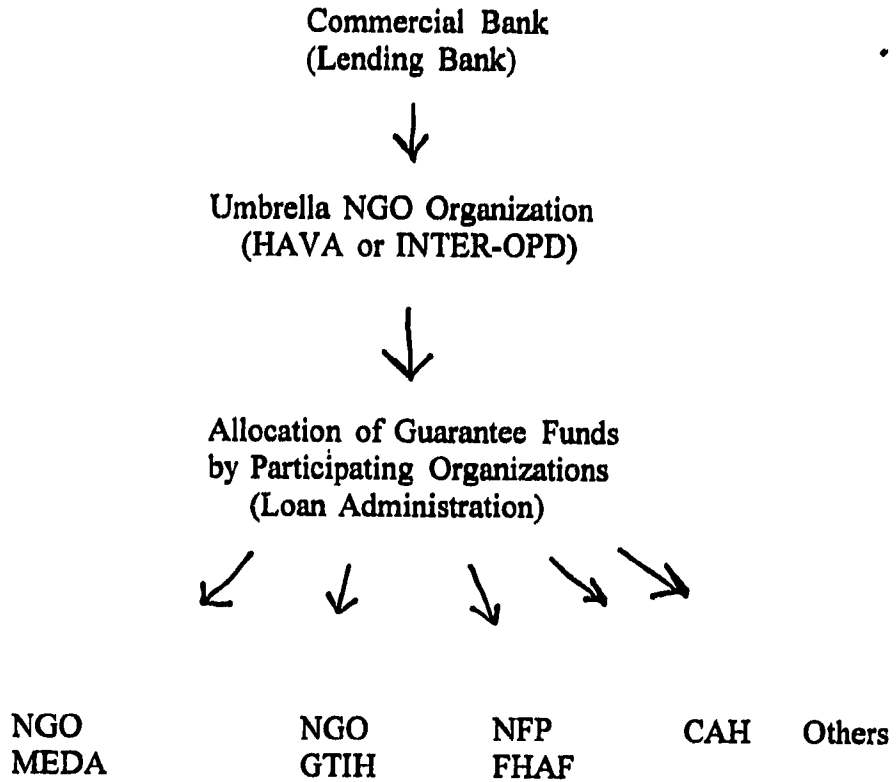
ANNEX A

Summary Credit Absorption Analysis for Loan Guarantee Funds

Institution	Current Portfolio	Projected Absorption Credit (3 yrs)
A. MEDA	H \$ 4,3 million USD 1,592,600 (3 years)	H\$ 8,600,000 USD 3,185,200
B. FHAF	G 791,050 USD 80,000 (2 years)	G 10,500,000 USD 750,000
C. GTIH	No credit at present	G 1,2 million USD 87,700
D. Other NGOs	To be identified	G 4,200,000 USD 300,000
Working total:		USD 4,322,900
Estimated Loan Guarantee Fund (3 times turnover in 3 years)		USD 1,500,000
Total Credit Assistance		USD 5,822,900
Total Institutional Strengthening Grant for Non-Bank Intermediaries (.35 amount of Loan Guarantee Fund)		USD 525,000
Total Component		USD 6,347,900

ANNEX B

Loan Guarantee Fund Organizational Diagram



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GUIDE DES ACTIVITES GROUPEES (JULY 2nd, 1993)

	TOTAL	CAP	PAP
1 - NOURRITURE ET BOISSON			
1.1 - Marchands de Sucrieries	29	4	25
1.2 - Marchands de Pistaches	10	1	9
1.3 - Marchands de Rafratchissements (Fresco-Juna-Kola)	61	6	55
1.4 - Marchands de canne à sucre	14		14
1.5 - Marchands de nourriture (mangé cuit - frites ...)	82	5	77
1.6 - Pêcheurs	12	2	10
1.7 - Petites pâtisseries (Gâteaux sur commande, Bonbons)	18		18
1.8 - Marchands de poissons	11	1	10
1.9 - Petites Boutiques	53	7	46
1.10 - Marchands de clairin (trempé - Asorosi ...)	20	2	18
1.11 - Marchands de fruits	21	2	19
1.12 - Marchands de cocoyer	11	1	10
1.13 - Vendeur de glace	14	3	11
1.14 - Marchands de légumes	12	1	11
1.15 - Petit Bar Restaurant	13	4	9
1.16 - Petit Poulailleurs	3		3
1.17 - Petite Boucherie	14		14
1.18 - Vendeurs de cafe, chocolats	12	1	11
1.19 - Vendeurs de condiments	12	3	9
1.20 - Fabricant et Vendeurs de Mamba	1	0	1
TOTAL	423	43	380
2 - LIVRES			
2.1 - Marchands de journaux et revues	12		12
2.2 - Vendeurs de livres	16	3	13
2.3 - Secrétaires ambulants ou fixes	10		10
2.4 - Fabricants d'enseignes - Sceaux...	10		10
2.5 - Relieurs de livres	5		5
2.6 - Caligraphes	4		4
TOTAL	57	3	54

3 - AUTO

3.1 - Caoutchoucman	27	3	24
3.2 - Garages (de moins de 5 personnes)	13	3	10
3.3 - Laveurs d'auto	18		18
3.4 - Chargeurs de batteries	12		12
3.5 - Soudeurs - Dresseurs	13	1	12
3.6 - Radiateurs man	10		10
3.7 - Petits auto-parts	15	3	12
3.8 - Reparations d'alternateurs, bobines et autres	11	2	9
3.9 - Vente et reparation de bicyclettes	19	3	16
3.10 - Reparation Coussins Autos	6		6
TOTAL	144	15	129

4 - VETEMENTS

4.1 - Petits cordonniers	47	7	40
4.2 - Petits tailleurs ou couturières	46	8	38
4.3 - Cireurs de souliers	30	3	27
4.4 - Frappeurs de boutons	12	1	11
4.5 - Petits studios de beauté	11	1	10
4.6 - Salon de coiffure	17	3	14
4.7 - Vendeurs de "Pacotille"	10		10
4.8 - Fabricants de valise	19	1	18
4.9 - Sandales, boyo	14	2	12
4.10 - location de vetements	1		1
4.11 - Vendeurs de vetements (neufs)	30	6	24
4.12 - Vendeurs de tissu	18	4	14
4.13 - Reparations de sandals, boyo	10		10
4.14 - Petits dry cleaning	6	1	5
4.15 - Vendeurs de souliers	11	1	10
4.16 - Vendeurs de Valises	1	1	0
TOTAL	283	39	244

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5 - ELECTRONIQUE

5.1 - Petits shops électroniques	25	7	18
5.2 - Petits studios de photo	16	1	15
5.3 - R'parateurs de Réfrigérateurs	9		9
5.4 - Vendeurs de cassettes, Radios, Tape Recorder...	15	1	14
TOTAL	65	9	56

6 - TRAVAUX EN FER

6.1 - Fabricants de lits en fer	19	3	16
6.2 - Ferblantiers & Fabricants de réchauds, Ustensiles	14	2	12
6.3 - Ferroniers (fer forge)	36	7	29
6.4 - Horlogers - Orfèvres	22	4	18
6.5 - Forgerons	12	0	12
6.6 - Serruriers	7	0	7
6.7 - Aiguiseurs de couteaux - ciseaux ...	20	1	19
TOTAL	130	17	113

7 - ARTISANAT

7.1 - Fabricants de chaises en paille	19	2	17
7.2 - Vendeurs de chaises en paille	15	2	13
7.3 - Fabricants de pots à fleurs	14	0	14
7.4 - Vendeur de pots à fleurs	8	0	8
7.5 - Fabricants de panier	10	0	10
7.6 - Marchands de panier	12	1	11
7.7 - Chapeliers	14	0	14
7.8 - Vendeurs de chapeaux	11	0	11
7.9 - Sculpteurs	17	1	16
7.10 - Artisans artistiques	31	4	27
7.11 - Marchands de balai	9	0	9
7.12 - Marchands de Corde	1	1	0
TOTAL	161	11	150

8 - MENUISERIE			
8.1 - Petits ébénistes	42	9	33
8.2 - Constructeurs de tap-tap	9	0	9
8.3 - Fabricants de cercueils	10	1	9
8.4 - Charpentiers	9	0	9
8.5 - Vendeurs de bois, planches	12	2	10
8.6 - Vendeurs de meubles	9	0	9
TOTAL	91	12	79
9 - MACONNERIE			
9.1 - Constructeurs de blocs , claustras, mosaïques	17	4	13
9.2 - Casseurs de pierres	9	1	8
9.3 - Vendeurs de ciment	10	4	6
9.4 - Macons	13	0	13
TOTAL	49	9	40
10 - DIVERS			
10.1 - Marchands de Pèpè	32	4	28
10.2 - Marchands d'objets usagés	9	0	9
10.3 - Marchands de bouteilles vides	11	0	11
10.4 - Médecins-feuilles	12	1	11
10.5 - Petits Bric-à-brac	19	7	12
10.6 - Vendeurs de billets de loterie	11	0	11
10.7 - Marchands de baleines - bougies...	10	0	10
10.8 - Les Vidangeurs (Bayacous)	4	0	4
10.9 - Brouettiers	12	1	11
10.10 - Courtiers	8	0	8
10.11 - Les hommes de services des cimetières (indépendants)	10	0	10
10.12 - Cambistes	13	2	11
10.13 - Marchands de poison, Insecticides	11	1	10
10.14 - Marchands de charbon	30	3	27
10.15 - Marchands de plantes	12	0	12
10.16 - Bains publics			

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INFRASTRUCTURE IMPROVEMENTS FOR INFORMAL SECTOR MARKETPLACES
November 1993

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INTRODUCTION

This report follows on the June-July 1993 Informal Sector Assessment, which identified a series of constraints impeding growth and expansion of this important sector of the Haitian economy and recommended further investigation on providing assistance to the sector in the form of infrastructure improvements.

The informal sector as described in the Informal Sector Assessment is composed of individual operators or micro enterprises with a maximum of five employees. However, in this study it will be limited to those activities for which markets have in the past been built. These selling activities cover a broad array of products ranging from food items such as raw meat, live poultry, fresh fruits and vegetables, dry beans, rice, cereals, spices and cooking oils, to household products, clothing, shoes, accessories and artcraft. Other products commonly marketed by the informal sector for which markets have not been established include: tires and auto parts; books and office supplies; wooden doors and furniture; and used appliances. The infrastructure needs of the informal sector for selling activities related to these products could be the subject of a separate study.

The informal sector mostly operates in urban areas: in the markets; on the streets (including the sidewalks); and in vacant open spaces. While a considerable amount of activity takes place outside the markets, these facilities constitute the only quasi-established place of business for the sectors operators.

Visits to a cross-section of the numerous markets scattered throughout Haiti would yield a broader understanding of their current status, yet are beyond the scope of this study; thus, this report will focus only on the Port-au-Prince Metropolitan Area. Within this area, the report will evaluate four existing markets: Marché de Pétiion-Ville; Marché Salomon; Marché de Bon-Repos; and Marché de Kenscoff; and will identify the issues and needs of each with respect to restoration and renovation of existing infrastructure. Further, it will make recommendations for additional improvements that are necessary in order to upgrade the existing markets and make them more effective and efficient. Finally, the report will propose ideas for new facilities which would provide the informal operators who now conduct their business on the streets with legally acquired space including covered markets, storage facilities, electricity and water.

GENERAL DESCRIPTION OF HAITIAN MARKETS

There are two major categories of markets in Haiti: urban and rural. An urban market is one located within a municipality; and a rural market is one located in a rural area. It is important to note that within these categories, certain markets were established formally

(i.e. whose land and structure were provided by the government and whose administration was typically placed under the jurisdiction of the communes in which they are located), while many others have naturally evolved on vacant public land and on the streets in certain areas; these "spontaneous" markets are not under the perview of any authority.

There is not a clear pattern of the location of spontaneous markets. In some instances, they are in heavily-trafficked areas in the center of town; in others, they are on the urban periphery; and they can also develop on major inter-city routes.

Types of Construction

There are two major categories of market construction: hard, including covered or semi-covered structures; and soft, including fixed shacks, mobile tents and open-air markets. They are described as follows:

Covered or semi-covered markets.

There are about thirty of these markets in the country. They usually consist of large covered or semi-covered (eg. with openings in the roof for ventilation) halls with one or several entrances and exits. As discussed above, this hard construction is typical of markets formally established and maintained by the government.

Fixed stands, mobile tents and open-air markets.

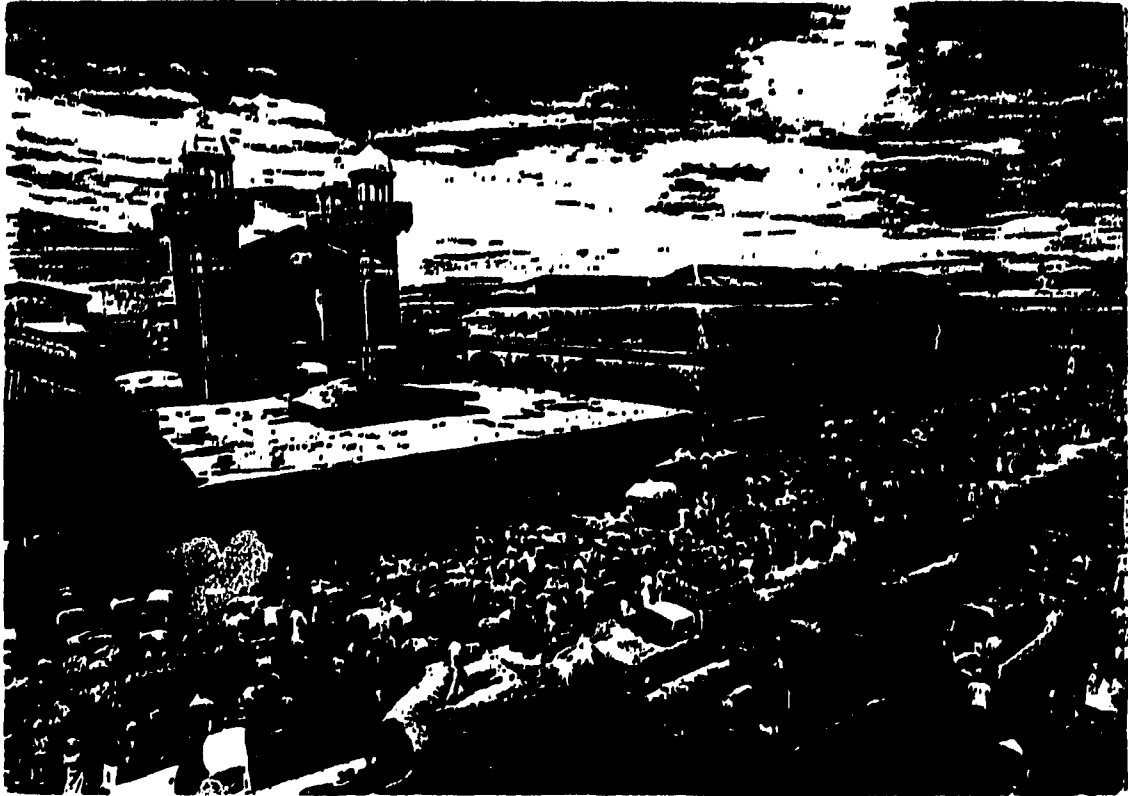
This construction is typical of spontaneous markets which emerge on public lands or large open spaces. Stands that are fixed in place are typically made of wood, covered with cardboard, straw, plastic bags, jute bags or corrugated aluminum and held in place with rocks or blocks. Mobile tents are fabricated from similar materials, are lighter and self-supporting. Open-air markets have no tents or other type of structure. These three types of markets are very common in Haiti, and there are about five hundred of them scattered throughout the country.

The selling activity at covered or semi-covered markets often extends beyond the legal boundaries, i.e. onto the streets. Outside the buildings, the vendors operate with or without a tent, using large hats to protect themselves from the sun and baskets or boxes to exhibit their goods.

Similarly, spontaneous market activity is not limited to vacant public land; vendors also operate on heavily-trafficked streets creating a street market. So pervasive is the activity, in fact, that substantial gatherings of vendors on the streets would not necessarily even be considered a market.

Small pockets of vendors also arise at certain points in the large cities, operating with or without a tent. Two of their favorite locations seem to be just outside the entrances of

Covered or semi-covered markets



Fixed stands, mobile tents and open-air markets



wholesale distributors and modern supermarkets or foodstores. They also operate on a smaller scale from door to door in residential areas, selling their merchandise to regular patrons, or even by themselves, from a single or different locations, depending on the days weather and events.

Most markets function more than one day a week; however, there are certain days on which a given market will operate with more intensity. Vendors transport their goods to market over widely varying distances, and for that reason use various modes of transportation including: trucks (eg. for inter-city transport); pack animals (typically donkeys, for shorter rural-urban or rural-rural trips); wooden carts (intra-urban transport); or simply themselves (walking with their goods balanced on the head).

MARKETS IN THE METROPOLITAN AREA

Several markets have over the years been built in the Port-au-Prince Metropolitan area. The first ones were conceived for the selling of food products at an established location such as *Marché en Fer* (It now also has an artcraft section). More recently (i.e. during the 70s), markets were built for the sale of clothing and clothing accessories such as *Marché Tête Boeuf* and *Marché Hyppolite*, both in Port-au-Prince. *Marché Tête Boeuf* is a new construction, while *Marché Hyppolite* is a former annex of the Custom House.

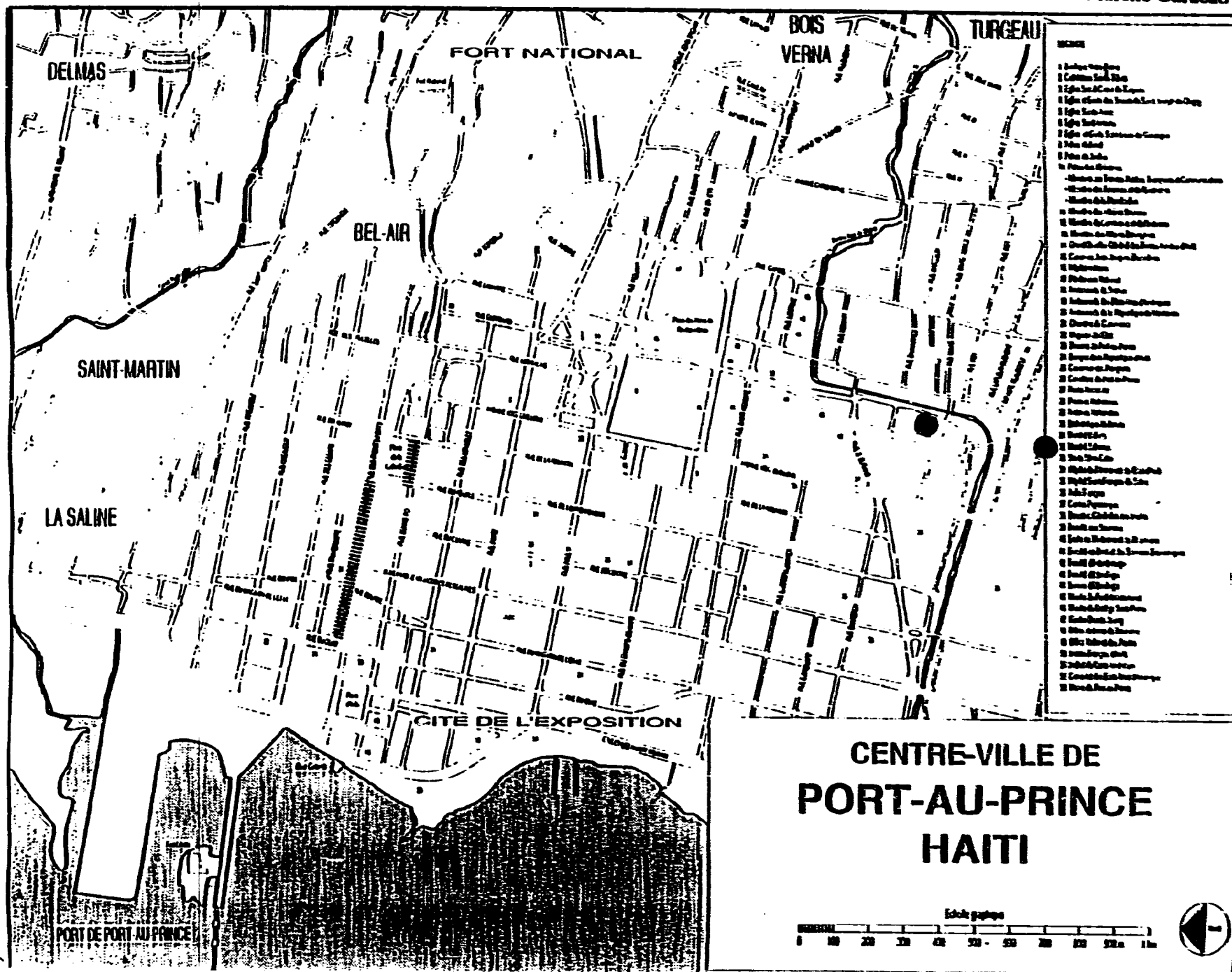
One of the largest street markets is *Marché Curaçao*, located in downtown Port-au-Prince on *Rue Traversière*, between *Rue du Centre* and *Rue du Quai* where the activities center around clothing and clothing accessories (see Figure 1). Some of the largest gatherings of vendors are found on the streets of downtown Port-au-Prince. The most important ones are on *Rue des Fronts Forts*, from *Rue du Quai* to *Rue Dr. Aubry*, and on *Rue Bonne Foi*, between *Rue du Peuple* and *Rue Dr. Aubry*.

Four markets in the Port-au-Prince area were selected for an assessment of the type of infrastructure improvements that would be needed in order to create a workable environment for the informal sector. They are as follows: *Marché de Pétion-Ville*; *Marché Salomon*; *Marché de Bon-Repos*; and *Marché de Kenscoff*. These markets were visited on one of their respective market days. No formal survey questionnaire was used for the visits; instead, the vendors were asked informally whether they considered the general maintenance of the building to be adequate and what they thought would improve the working condition of the market.

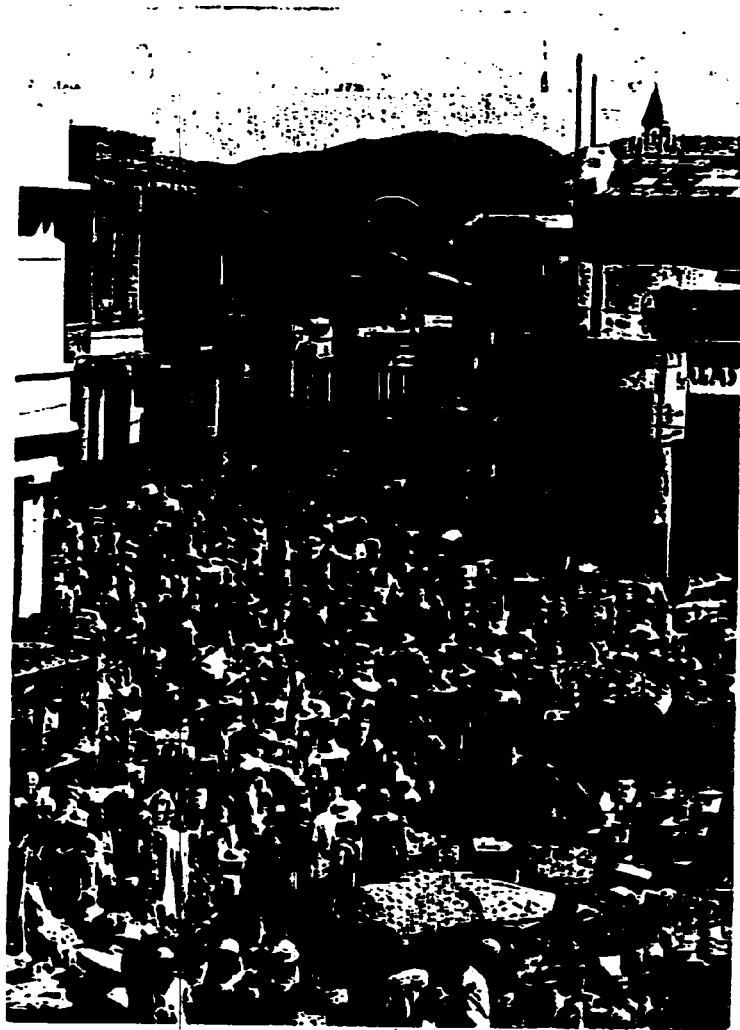
In addition, an independent assessment of the condition of the facilities was possible based on thorough site visits. An emphasis was given to the circulation inside each market, sanitary conditions, availability of water and electricity, and storage facilities. If the superintendent of the building was present during the site visit, he was also questioned on the same issues. Some vendors were very vocal while others would defer to someone they judged better suited to answer the questions, usually someone who had been at that location

FIGURE 1

● Marché Salomon
 ■■ Marche Curacao



STREET MARKETS IN DOWNTOWN PORT-AU-PRINCE



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for a long period of time. The site visits occurred without incident with the exception of Marché Salomon where an individual attempted to disrupt the site visit.

MARCHÉ DE PÉTION-VILLE

Marché de Pétiion-Ville is an urban market located at the northern end of Pétiion-Ville. It has fronts on four streets: Rue Lambert; Rue Grégoire; Rue Rigaud; and Rue Géffrard. The surrounding area is comprised by the Cemetery of Pétiion-Ville, St. Jean Bosco Church, the beginning of Autoroute de Delmas and the major intersection formed by Rue Grégoire, Rue Rigaud and Rue Panaméricaine (see Figure 2). The land use in the area is very mixed, including gas stations and other commercial and residential structures.

The market is a square plot occupying the entire block except for a police precinct in the northwest corner and four private structures on the northern side. However, the effective boundaries of the market including street activities extend to Rue Géffrard, between Rue Villate and Rue Lambert, and Rue Rigaud, between Rue Grégoire and Rue Géffrard. The market site is located on a slope; between the northern and southern boundaries there is a significant grading difference of about 15 feet.

The site is currently occupied by a large covered hall on the west side and unfinished construction in the eastern portion. The covered hall is all that remains of the original market.

The market is open seven days a week; principal modes of transport used by the vendors are trucks, pack animals and themselves. Vendors travel from Port-au-Prince, Kenscoff and Frères.

Description Of The Old Market

The market has three different sections (see Figure 3). Moving from west to east: there was and still is one large covered hall filling approximately one third of the lot area. East of it, there was a group of smaller covered structures occupying another third of the lot area. The final third was composed of linear construction around the edges and an inner courtyard with a large kiosk at one end, with interior shelter comprised by both fixed stands and mobile tents. The latter two sections were razed to make room for a new market whose construction was started but never completed.

The covered hall is composed of aisles and rows of stands; openings were left in the side walls for natural ventilation. The original stands, provided at the time the market was built, are made of concrete; more recent ones were built by the vendors themselves from pieces of wood and metal. Storage is provided in the bottom sections of the stands.

The interior of the market is overwhelmingly dominated by the sales of food products, with

FIGURE 2

● Marché de Pétiion-Ville

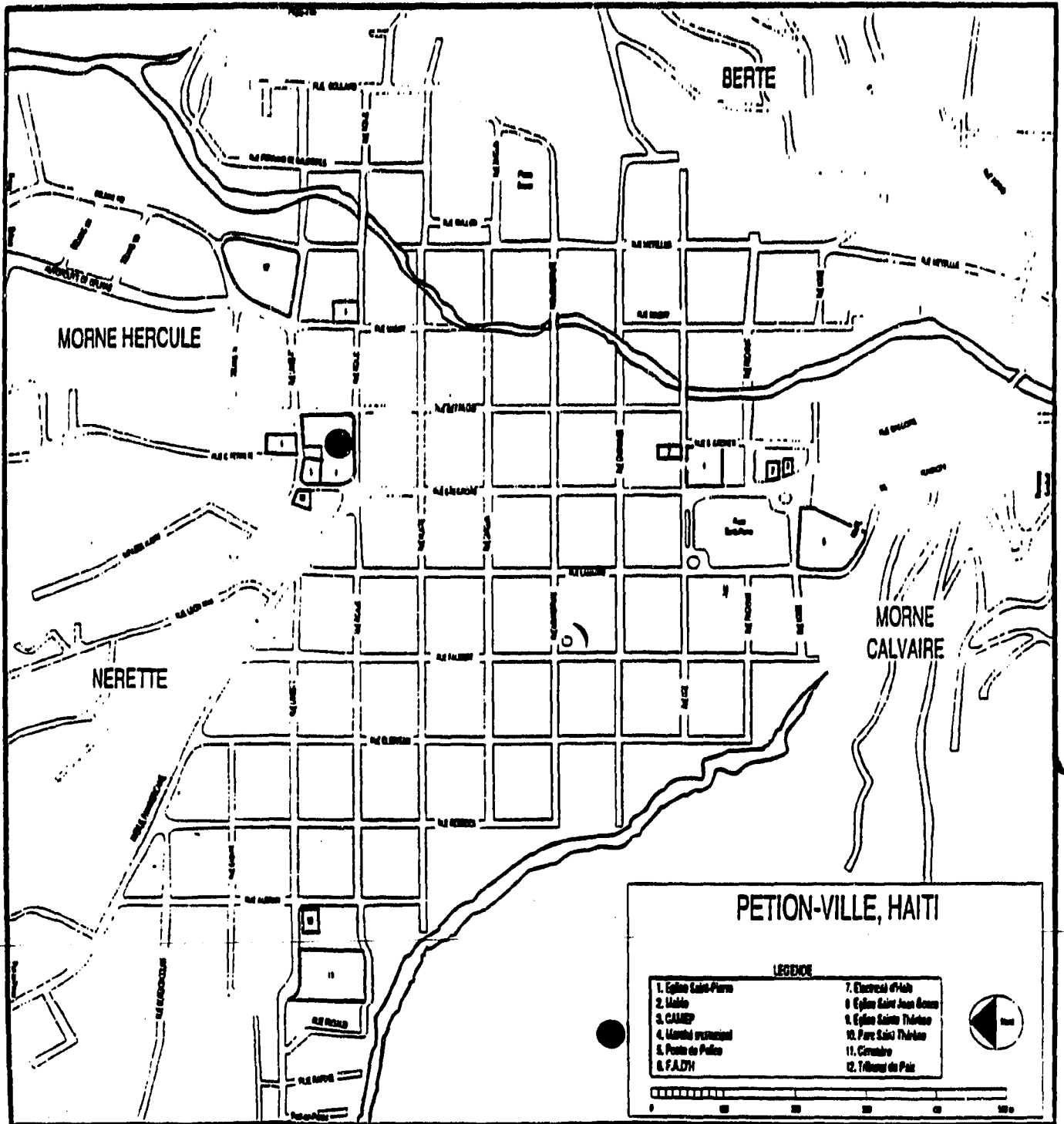


FIGURE 3
AERIAL PHOTO
OLD MARKET



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a separate meat section concentrated along the eastern wall. Only a few vendors of clothing and accessories can be found near the entrances.

Description Of The New Market

This section of Marché de Pétiou-Ville is unfinished. The main hall on the southern end has one story and no roof. The northern end has three stories, again with no roof over the top level. Since the market was not finished, vendors have created makeshift stands and mobile tents for themselves. The two lower levels are comprised by individual stores.

MARCHÉ SALOMON

Marché Salomon is an urban market located in downtown Port-au-Prince. It is bordered by four streets including: Rue Salomon to the east; Ruelle Carius to the north; Rue Masillon Coicou to the west; and Rue Féquière to the south. The area around the market is characterized by the Cemetery of Port-au-Prince, Stadium Sylvio Cator, and Ravine Bois de Chêne. The land use around the market is comprised by commercial and residential structures (see Figure 1).

The original market burned down in November 1987, but was rebuilt immediately afterwards at the same location. The new structure consists of a semi-covered hall with two main entrances; one on Rue Fequiere and another on Ruelle Carius. The main hall is elevated from the street on both sides by approximately four feet, with a set of stairs leading to the interior of the market. Some secondary structures were built along the outside walls with stands for the vendors to exhibit their merchandise. Similar stands were built in the interior of the market.

The market is under the jurisdiction of the Commune of Port-au-Prince. There is a superintendent on site who opens and closes the market and is in charge of the daily maintenance of the facility. His office is located in a mezzanine area inside the main hall.

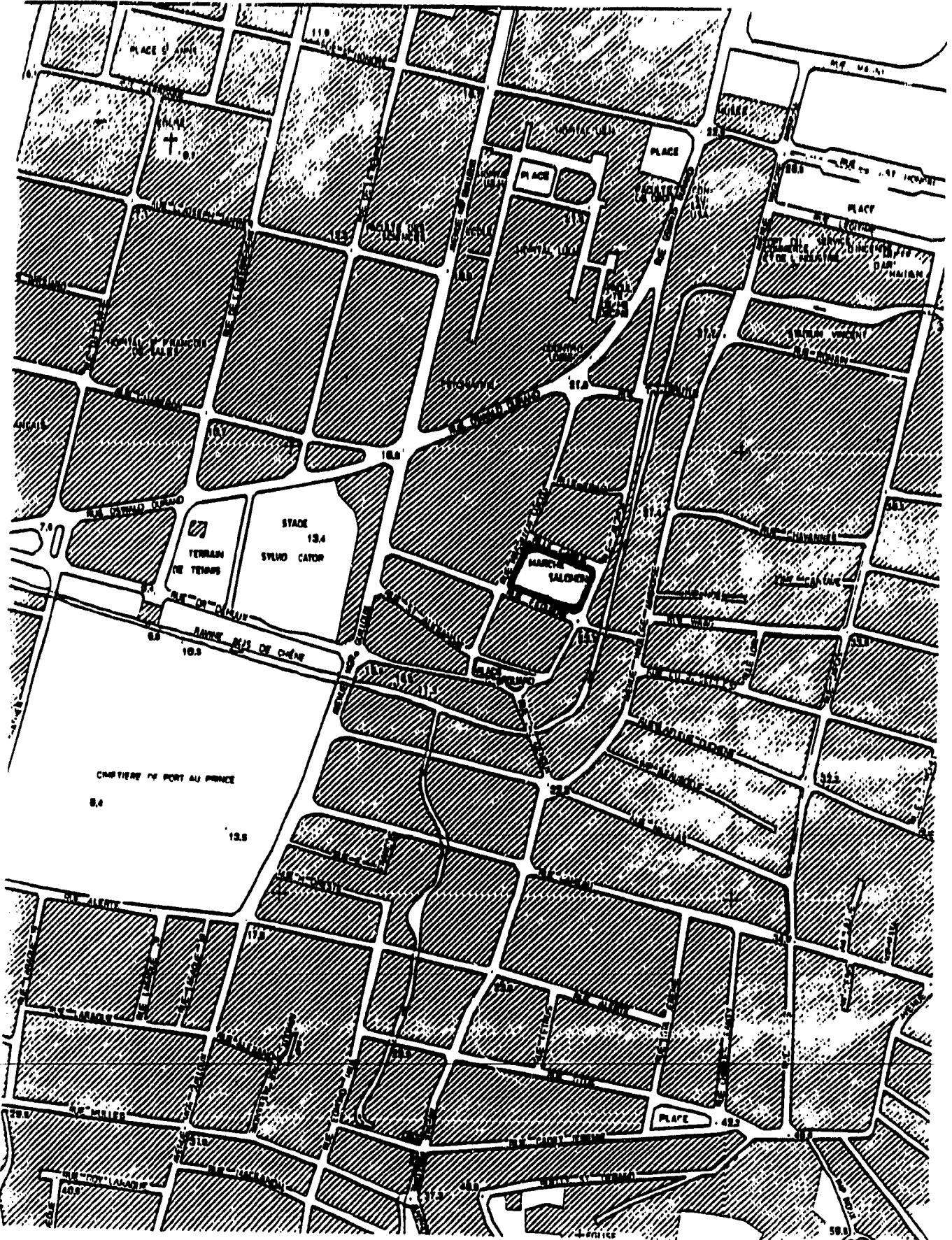
The market is open seven days a week. Trucks are primarily used to carry merchandise to the market, arriving from downtown Port-au-Prince and Croix des Bouquets.

While the interior of the market is dominated by food vendors, the exterior of the market offers a wide variety of products including food, shoes, plastic containers and other household items.

MARCHÉ DE BON-REPOS

This market was built during the late 80s on the west side of Route National, in the rural community of Bon-Repos (see Figure 4). The building itself is not visible from the street

AREA MAP MARCHE SALOMON



because of a boundary wall around the property. The market is open seven days a week; principal modes of transport used are pack animals and the vendors themselves.

The structure consists of a T-shaped, covered hall that is open on all sides except one. Stands provided within the market are organized in two rows with separate entrances, counter tops and storage underneath. In addition to the individual storage spaces, there is a separate storage room. A butcher section occupies a detached structure in the front section of the lot area. Open spaces on the sides effectively extend the market area beyond the main structure.

Sales of food, spices and cooking oils dominate the activities in the market. Other products include charcoal, toileteries and clothing accessories.

MARCHÉ DE KENSCOFF

This market is located in the village of Kenscuff and is under the jurisdiction of the local authorities (see Figure 5). It used to consist of fixed tents scattered throughout the sloped terrain. A new market was built in the 1980s with several continuous terraced and sheltered walkways with an open area between each. The roof is made of corrugated aluminum and the columns are of cast iron. The walkways are furnished with concrete stands that are slightly inclined.

The market is characterized by a high stone wall separating it from the road, with steps ascending. The two major entrances to the market are located on the road and on the side street. The land use around the market is characterized by commercial and residential structures and the Hotel Florville.

The market is open seven days a week but the most active days are Wednesday and Friday. The principal modes of transport used are trucks (i.e. between Port-au-Prince and Kenscuff), pack animals and the vendors themselves.

**Table 1
Description of the Markets**

Name	Type of Market	Structure	Transport Modes
Pétion-Ville	Urban	Covered Hall/ Uncovered Area	Trucks Pack Animals People
Salomon	Urban	Covered Hall	Trucks Wooden Carts
Bon-Repos	Semi-Rural	Covered Hall	Trucks
Kenscoff	Semi-Rural	Covered Walkways	Trucks Pack Animal People

ISSUES AND INFRASTRUCTURE NEEDS OF THE SURVEYED MARKETS

Marché de Pétion-Ville

The construction of this marketplace is simply unfinished, and many of the problems of this facility result from its incomplete status.

- The circulation inside the market is an issue. In the old section, it is impacted by additional rows of stands added by the vendors in the original aisle areas. In the new one, the situation is worse. The makeshift stands provided by the vendors are situated without any organization, ie. randomly.
- Access to electricity is visible; unfortunately, the power is off for most of the duration of normal business hours. The lighting is completely deficient in the covered hall as well as in the lower levels of the new market. In the first hall there are some skylights on the roof, but they are insufficient; and only a few low-voltage lightbulbs hang from the high ceiling. In the lower levels of the new market, the ceilings are too low and there is also no light.
- The meat section is fly-infested and the ceiling is covered with dirt and spider webs.
- According to the vendors, there is no available water in the facility.
- The bathrooms are in such poor condition that they are permanently closed.
- The surrounding streets are almost entirely blocked by vendors.

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- There is some storage space at the bottom of the stands in the old market, although it is not properly used; in the new unfinished market, meanwhile, the vendors have to use their tables as storage, tying down their goods with ropes and plastic bags at the end of the day.
- Open drainage in the new section creates unsanitary conditions for the vendors, the shoppers and the goods (especially raw meat). In addition, the missing roof and dirt floor in combination with a good rain result in extremely muddy conditions.
- Stairs connecting the various levels were never provided with railings and present a potential danger for anyone using the facility.

Marché Salomon

The structure itself is in decent condition. The air circulates inside because the semi-covered structure allows natural airflow through the roof to penetrate the center of the interior. The lighting also seems adequate.

- The most visible issue with this market is undoubtedly the uncollected garbage immediately outside the facility. It is not only unsightful but also generates unpleasant odors and attracts flies and mosquitoes throughout the market.
- There is also open drainage in various parts of the market. Vendors have in certain instances placed their merchandise over a gutter to prevent stepping into it. At the same time, they must uncover the gutters and lift out the sewage each day due to blockage.
- The circulation inside the market is poor. Counters that were added along the aisles create excess congestion. The original counters that were designed to include storage are underutilized because, according to the vendors, they are too high. Instead, they are being used for seating.
- The vendors complained about the lack of drinking water and public restrooms.
- Another issue with the market is that it now extends onto the adjacent streets. Rue Fequière is almost entirely blocked when the market is open.

Marché de Bon-Repos

The general physical condition of the market is good. There are no visible problems with the structure. Since the market is open on most sides, the air circulation and the daylighting are very good.

- The main issue with this market is that, despite the intent to provide each vendor with a separate space including counter space, storage, and a seating area, they choose to use the streets and some open areas within the market, resulting in the underutilization of the main vendor section. When asked if this had always been the case, the superintendent said that occasionally the vendors would use the stands but that usually they would not. They seem to have an aversion to even partial segregation or physical separation in the market layout (perhaps a topic for anthropological inquiry).
- Vendors complain about the lack of water and electricity. There used to be water in the facility but it is no longer available, and there are no usable restrooms. For lack of lighting, they have to use gas lamps after dark.
- The daily cleaning is handled by the vendors, not by the on-site superintendent. There is no garbage collection, with the vendors disposing of their refuse in the vicinity of the market.

Marché de Kenscoff

- The biggest issue with this market is that it is underutilized, while the adjacent streets, the open space in front of the stone wall and the open circulation inside the market are heavily used by the vendors. (Note: It is also observed that there has been a secular decline in market activity in Kenscoff, due to progressive deterioration of the road up to the village, and a simultaneous emergence of activity further down, eg. alongside the road in Thomasin.)
- There are no gates to secure the market at night.
- The roof design is very poor, merely diverting runoff within the market, i.e. one sections watershed becomes the nexts deluge.
- There is no provision for water, in a mountain vicinity with high dependence on rainfall capture.

Table 2
Existing Conditions

Name	Utilization of the Interior	General Condition	Roads Condition
Pétion-Ville	Good	Poor	Good
Salomon	Good	Poor	Good
Bon-Repos	Fair	Fair	Good
Kenscoff	Poor	Poor	Poor

The above table shows that the utilization of the interior can be poor in certain markets, but for the most part, it is good in the Port-au-Prince area. If the utilization of the markets were based on both inside and outside activity, including the streets, it would be good for all the markets. Therefore, if the vendors who are now on the streets were to relocate inside the markets, the facilities would easily be used to their full capacities. There would even be cases where the market would not be able to accommodate all the vendors that now operate outside.

RECOMMENDATIONS AND CONCLUSIONS

The first major recommendation relates to infrastructure improvements which could be done to the four markets that were analyzed in this study. It is recommended that USAID/Haiti consider providing a grant to undertake the infrastructure improvements described below. The funding could be provided through a new NGO specifically organized with the mission of upgrading and sustaining these facilities. If the intervention is successful for these markets, the program should be expanded and additional grant money committed for the upgrading of additional markets in the Port-au-Prince area and other regions. USAID and the designated NGO would need the support and approval of the Haitian Government on the one hand, and of the local authorities of the commune in which the markets are located on the other.

Marché de Pétion-Ville

- The design of the new market is inadequate, yet building a new market would be quite costly. Perhaps some modifications can be made to the existing design to upgrade the facility and render it more suitable for operation. Immediate improvements should include construction of a roof over the uncompleted section. The plan should give serious consideration to increasing ceiling heights where possible. In addition, concrete floors should be poured.

- As part of the overall improvement of the market, clean water should be available for the use of the occupants and for daily maintenance. Electric power should be available during the day to provide lighting and ventilation. Industrial lighting and fans should be placed at standard intervals to illuminate and ventilate the facility. New stands should be provided leaving the appropriate space for circulation. Finally, garbage collection should be consistent.

Marché Salomon

The work that needs to be done in Marché Salomon has more to do with infrastructure improvements such as:

- Daily collection of garbage where there is none.
- Provision of drinking water.
- Covering open drainage.

Marché de Bon-Repos

- Of the four markets in the study, Marché de Bon-Repos needs the least amount of improvements because there is little to do as far as the structure is concerned.
- The first recommendation would be to make the main entrance more visible. This could be achieved with a redesign of the entrance. In addition, street vendors should not be allowed to block the entrance.
- Other recommended improvements would be to provide a source of water and electricity for the facility as well as the provision of restrooms.
- As mentioned earlier, the market is underutilized, and efforts should be made to reverse this situation.

Marché de Kenscoff

- (Further note pursuant to the observed deterioration of the road to Kenscoff and resultant secular decline in market activity: The road condition is acting as an external restraint, impeding access to the market by both goods (especially those transported by truck from Port-au-Prince) and patrons who live any significant distance below the village. From the perspective of capital commitments, it would seem that at this stage road repairs should take precedence over most non-emergency village infrastructure projects. At the very least, it is fair to say that, until the road deterioration is alleviated, allowing village activity to return to its normal level, the benefit of any improvements to the market will not be fully realized.)

- Ways to prevent watershed into designated working areas should be explored, eg. a system of gutters and cisterns to store the water. The captured runoff could be used both by vendors and for cleaning of the facility.
- Gates should be constructed to provide a modicum of nighttime security for the market.

The second major recommendation relates to land use and public policy for the markets. This study proposes that the local authorities be asked or encouraged to restrict the use of the streets in the immediate vicinity of the markets. A set of regulations should be created to prohibit food vendors from operating within 400 feet (a standard walking distance) of any market.

The third major recommendation relates to the internal administration of the markets. A set of regulations and rules for each market is necessary to maintain an orderly operation.

- The numbers of vendors inside the markets should be regulated. Too many vendors in the market would make it strenuous to do business and would overburden the new infrastructure put in place. The spatial organization of the interior also needs to be controlled.
- This study proposes that vendors should be required to pay a minimal fee to cover the maintenance and repair of the facility including cleaning, energy bills, garbage collection and the salary of a superintendent. Taken together, these regulations would establish an environment in which both the vendors and the patrons would make more effective and efficient use of the market.
- The study also proposes that training be provided for the vendors which teaches and encourages them to make the best use of the marketplace and to support the general maintenance effort. This would be the NGO's responsibility.
- The NGO should also be required to modestly publicize each market in an effort to further assure success of the program.

The last recommendation addresses the design for new markets.

- This study proposes that new markets be built in compliance with minimum standards for good air circulation, adequate lighting and efficient water reserve.
- Other recommendations relate to the building form and the interior design. Principal among them is a minimum ceiling height for a market. Modifications to the stands and the width of aisles are also proposed.

- The study suggests that the buildings should be designed to give maximum exposure to the vendors. (The underutilized sections of a market usually seemed to be in the back of the building or in the area against the side walls). Inventive ways should be developed to provide incentives for the patrons to go to the more remote areas of the facilities, through the use of either interior "anchors" or additional entrances and exits.
- Finally, further research is recommended into the appropriate elements to be included in markets designed for specific segments of the informal sector not addressed in this study.

It seems that under the current situation the socio-economic structure is clearly incapable of absorbing the magnitude of informal sector activity. Therefore, while it is worthwhile to explore ways of improving the existing informal markets in order to attract vendors inside, it is also imperative to consider new developments and innovative market concepts to expand the overall capacity of the system to accommodate the sector.

MODERN MARKET PROPOSAL FOR CROIX-DES-BOSSALES

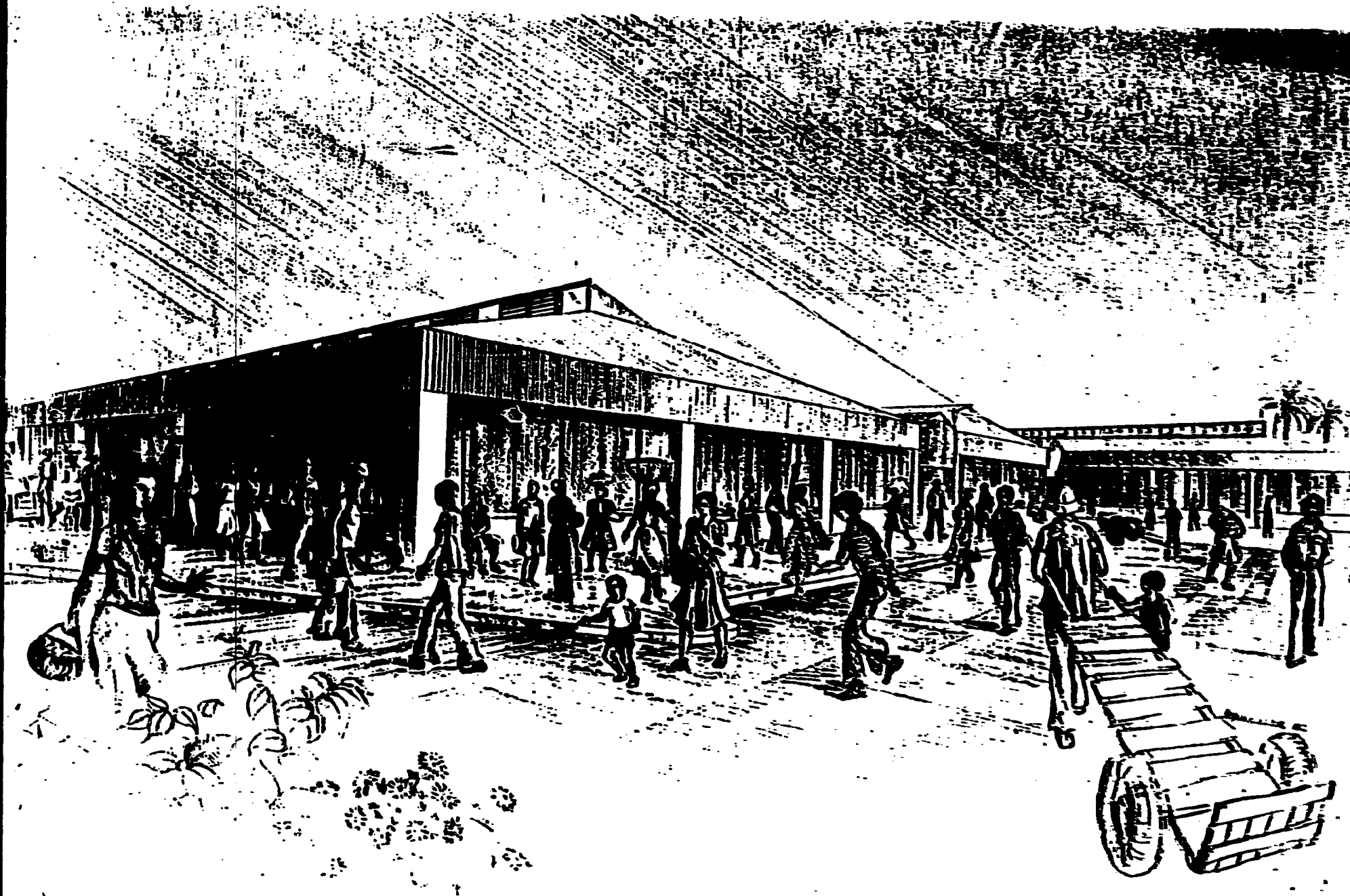


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