

PN-ACS-205
105599

SUBSECTOR ASSESSMENT

HANSY PIERRE LOUIS, TURBO SYSTEMS
APRIL 1, 1996

Development Alternatives, Inc.

USAID/Haiti Contract 521-0256-C-00-5059-00/521-C-00-95-00059-00

Office of Economic Growth

**Program for the Recovery of the Economy in
Transition (PRET)**
Project Number 5124

Lauren Mitten
PRET Project Administrator
Development Alternatives, Inc.
7250 Woodmont Avenue, Suite 200
Bethesda, MD 20814
T: (301) 215-6651
F: (301) 718-7968

A

SUBSECTOR ASSESSMENT

Implementation of

USAID/HAITI's Program for the Recovery of the Economy in Transition (PRET)

Project No. 521-0256-3-50135

Prepared by Turbo System

(Hansy Pierre Louis)

Under Contract No. 521-0256-C-00-5059-00

With Development Alternatives, Inc.

April 1st, 1996

1

"This (activity) was made possible through support provided by the U.S. Agency for International Development (USAID) under the terms of Contract No. 521-0256-C-00-5059-00 The views and opinions expressed herein are those of the author(s) and do not necessarily reflect the views of USAID"

Table des matières

Introduction 4

1. Presentation of the survey 4

 1.1 Objective of the survey 4

 1.2 Collection and processing of data 5

2. Empirical results 5

 2.1 Profile of basic sub-sectors 5

 2.2 Grille of comparison of sub-sectors 10

3. Main characteristics of sub-sectors 13

 3.1 Principles of interventions 13

 3.1.1 General intervention principles 13

 3.1.2 Specific intervention principles 14

Conclusion 18

Introduction

This study proposes an evaluation of the craftsmanship and sewing sectors in Haiti according to the so-called method "Channels analysis". With this approach a picture of an average profile of micro-enterprises operating in a sector of production can be drawn, in order to have a look on the different activities which lead to the marketing of their products, the structures of market in which they operate and the institutional environment that govern and influence their functioning. This information allows us to identify interventions with leverage effects in terms of their potential impact on the small enterprises that integrate a channel of activities.

The analysis, rather succinct, proceeds following the three next steps:

In section 1, a general presentation describes the objectives of the inquiry as well as the method of collection of quantitative and qualitative information

The second section, sketches the profile of three targeted sub-sectors and presents a table of comparison of a larger sample.

In section 3, main characteristics of the sub-sectors are presented.

1. Presentation of the survey

Two main sources of data are used:

a) persons and institutions of resources

- persons of resources for data concerning sources of supply in raw materials as well as possible suppliers of these latter
- institutions of resources for volumes and values of imports and total import by main suppliers, the institutional framework that defines import and marketing conditions of these products.

b) available data at **TURBO SYSTEM**

- to support a table of comparison of subsectors from surveys realized in the past on the informal sector in Haiti.

1.1 Objective of the survey

The objective of the survey is to identify points of maximal intervention impact by which, a structuring and a dynamisation of the sector of micro-enterprises can be envisaged and implemented. The mode of collection and processing of the information are ordered by this need.

1.2 Collection and processing of data

Data from person of resources have been collected through interviews realized without questionnaires given both the time constraint and the nature of information.

2. Empirical results

2.1 Profile of basic sub-sectors

Sewing

a. Raw material used:

a.1 various quality Cloths such that: silk, cotton, synthetic

a.1.a Sources: import

a.1.b Suppliers: Assali, Acra, Boulos, Zuraik, Miknik

a.1.c Policy of import: none

a.1.d Structure of market: free

a.2 Haberdashery: lace, various arrangements, hook, ribbon, bud, ...

a.2.a Source: Import

a.2.b Suppliers: Dupuy, Derenoncourt, "Aiguille Magique", Maison Marra

a.2.c Policy of import: none

a.2.d Structure of market: free

b. Machines/Kit

b.1 sewing machines: electrical and mechanical

b.1.a Source: import

b.1.b Suppliers: Maison Carlsroom, Assali

b.1.c Policy of import: no

b.1.d Structure of the market: free

b.2 Kit: scissors, needle, board to iron, "dummy model", rules (different types), pins, metric ribbon, caster, "découvite", carbon paper, chalk for taylor, "pelonne".

b.2.a Source: Import

b.2.b Suppliers: Maison Dupuy, Derenoncourt, Aiguille Magique, Maison Marra

b.2.c Policy of import: none

b.2.d Structure of the market: free

Carpentry from woods

a. Raw material used

- a.11 Woods / board: oak, "taberno", mahogany, cedar. Other types from lesser quality woods are increasingly used.
- a.12 Nails, paste, plywood
 - a.1.a Source: import / local production for lesser quality wood
 - a.1.b Suppliers:
 - Etablissement Raymond Flambert, Batimat for imported products
 - Depots Portail Léogane, Portail St Joseph for local production.
 - a.1.c Policy of import: none
 - a.1.d Structure of the market: quasi-oligopoly

b. Machines / kit

- b.1 Electrical Saw, handy saw, machine to sandblast, plane, large and small square, brace, "router", scraper, hammer, screwdriver, "crooned saw", wicks all dimensions, burin, pliers, key, tour, greenhouse-joint, circular saw, "tousquin", drill, "rachotte", axe, press, compass, foot at groove. (wide-spread marks: Stanley, Germani)
 - b.1.a Source: import/local production
 - b.1.b Suppliers: Raymond Flambert, Batimat, Robert Bonhomme, Matelec, Taluy.
 - b.1.c Policy of import: none
 - b.1.d Structure of market: quasi - oligopoly

Utilitarian Ironworks

a. Raw materials

- a.1 Iron (different dimensions), sheet metal, profileed, brush, paint, "minium", "formica", plywood, soldering, fonte soldering, aluminum soldering.
 - a.1.a Source: import
 - a.1.b Suppliers: Flambert, M & S, Batimat
 - a.1.c Policy of import: none
 - a.1.d Structure of market: few importers

b. Tools / machines

- b.1 Hammer, metal saw, burin, drill, brush, "welding", electrode soldering, "balladeuse", square, level
 - b.1.a Source: import (in general)

- b.1.b Supplier: Flambert, M & S, Batimat
- b.1.c Policy of import: none
- b.1.d Structure of the market: few importers

Art ironwork

a. raw materials

- a.1 Griddle, tin, paint, "minium", sulfuric acid,
 - a.1.a Source: import
 - a.1.b Suppliers: Hubert Lemaire, Robert Bonhomme
 - a.1.c Policy of import: none
 - a.1.d Structure of market: a few number of importers

b. Machines/Kit

- b.1 scissors, file, burin, compass, square, iron to solder, coin of rail, "bordroit", "bigone"
 - b.1.a Source: import/produced locally by artisans
 - b.1.b Supplier (importers): Hubert Lemaire, Robert Bonhomme
 - b.1.c Policy of import: none
 - b.2.d Structure of market: few number of importers

Table 1

Import of some raw materials by countries of origin and main importers
October 1994 - May 1995

Product	Quantity	Value	Country	Main importers
Plywood	18,293 m3	8,076,720 Gdes	USA, Canada, Brazil, Taiwan, Guyana	M&S Construction, SOGEP, Atlantic Windows, Ets Raymond Flambert, Woldtex
Sheet metal	1,419,956 kg	3,076,755 Gdes	USA, Belgium, France, Santo Domingo	M&S Construction, Haiti Metal, Mme St Albord Merilien, Multiple Enterprises, Haitian Manufacturing, Acierie d'Haiti
Cloth (textile)	550,272 kg	4,875,965Gdes	USA, Belgium, Taiwan, Panama, Canada, Curacao, Japan	A lot of importers: Phoenix System S.A., Patricia Attie, Emile Boutros, Sewing Best, Nodera Freres.
Sewing accessories	15,007 kg	630,031 Gdes	Panama, USA, Japan	Quality Sewing, Acra Fils, Maison Dupuy, Myrna Hasboun, Caribbean Garments S.A., Nucleus Kersaint
Ironwork Equipment	37,767 kg	606,223 Gdes	USA, Belgium, France	Ets Bertony Vieux, Equipment et Mecanique S.A., M&S Construction, Acierie d'Haiti, Ets Raymond Flambert, Robert Maxime, Maison Robert Bonhomme
Wood(1), (2)	66,763 m3	20,414,006 Gdes	USA, Taiwan, Canada, Panama, Brazil	Ets Raymond Flambert, M&S Construction, SOGEP
Works in Wood (1), (2)	171,497 kg	2,720,001 Gdes	Switzerland, USA, Canada, China, France	Ets Raymond Flambert, M&S Construction, A&B Hardware
Paint	356,599 kg	6,334,605 Gdes	USA, Canada, France, Taiwan, Venezuela	A&B Hardware, Tebo S.A., Ets raymond Flambert, Raymond Bernadel, Amprosa, Matelec S.A.

(1) Period of October 1994 to September 1995

(2) For the period of October 1990 - September 1991, 14,860 m3 of wood and 130,392 kg of work in wood for 3,715,461 gdes and 1,095,476 gdes respectively have been imported

Source: Customs Statistic Service

Table 2
Imported raw materials
(July 1995 - December 1995)

Raw materials	Volume	Unit	Value (gdes)
Wood work			
Wood and akin	129,268	m3	28,826,339
Plywood	90,841	m3	21,164,301
Mirror	60,748	kg	2,238,332
Paper to sandblast	826,497	kg	10,311,374
Iron work			
Profileed in iron	826,497	kg	10,311,374
Flat iron	488,312	kg	5,344,583
metal sheet	6,065,924	kg	75,883,398
E l e c t r o d e Soldering	119,435	kg	4,217,097
Sewing			
Cloth (textile)	295,207	kg	14,673,902
Synthetic cloth			

Source: Customs Statistic Service

Notes: Table 1 and 2 are not directly comparable because they regroup different rubrics
Periods of compilation have been chosen according to availability and reliability of
information of interest for the survey.

2.2 Grille of comparison of sub-sectors

The grille of comparison of sub-sectors is made using information drawn from " Enkèt Sou Sektè Enfomèl La" realized by **TURBO SYSTEM** in June 1993. The different sub-sectors have been regrouped according to the broad sectors: Production, Trade and Service to take into account the preliminary processing format that has been made by **TURBO SYSTEM** during the exploitation of data. The order of comparison is then derived from weights calculated on the basis of the frequencies of answers. The weights of sub-sectors within a same sector are thereafter re-adjusted on the basis of answers given by the person of resources.

A scale from 1 to 5 establishes the order importance of the chosen criteria.

- | | | |
|---|---|---------------------|
| 5 | ⇒ | Very high potential |
| 4 | ⇒ | High potential |
| 3 | ⇒ | Average potential |
| 2 | ⇒ | Weak potential |
| 1 | ⇒ | Very weak potential |

Table 3**Grille of comparison of eight sub-sectors**

Criteria	Sub-sectors							
	Food/ Drink	Book	Auto	Cloth	Electronics	Iron work	Carpentry	Masonry
Growth	3	4	4	4	4	4	4	4
Job creation	1	3	3	5	3	5	5	3
Bond with other Micro-enterprises	1	1	1	2	1	2	4	1
Export potential	1	1	1	2	1	2	4	1
Women participation	4	2	2	1	2	1	1	2
Value added	3	4	4	3	4	3	3	4
Presence of support structures	3	2	2	4	2	4	4	2

Criteria and variables used

Criteria

Variables

Growth:

Number of years of functioning
Capacity of debt
Volume of sale
Income level

Job:

Number of employees

Woman

participation :
:

Percentage of women proprietors of enterprises
Percentage of women members of support organizations

Possibility of
values added:

Turnover higher than 750 gdes/week
Turnover less than 150 gdes/month

Existence of support
structure:

Percentage of proprietors being members of support organizations

Export potential:

From persons of resources and information collected from artisans.

Bond with other
Micro-enterprises:

"Le guide des activités groupées" has served to determine the existence of bond between Micro-enterprises according to an approach of cross-activities between sectors of activity and sub-sectors. For example how much time one finds sub-sectors of different sectors within a same roundup.

3. Main characteristics of sub-sectors

One of the sub-sector characteristics is their dependence with regard to raw materials and to the kit imported. This constraint is strengthened by the quasi-monopoly structure of the local import markets and the marketing of these products. In general, there exists a very weak bond of integration of the sub-sectors in the global economy. These sub-sectors with strong job potential for most of them do not benefit any sort of institutional support and have to face the competition of imported substitution products despite the technological weakness of their process of production and their low capacity to promote their products.

Two main constraint groups characterize the functioning of micro-enterprises within the considered sub-sectors:

- Constraints linked to economic structures
- Constraints linked to technological and/or institutional structures.

The former regroup the next categories: low access to markets, problem of financing, difficulties of supply.

The latter refer to the following: absence of regulatory framework, weakness of artisan training, inappropriate and obsolete technology, weakness of production infrastructures.

3.1 Principles of interventions

They identify the interventions which allow to act usefully and efficiently on the functioning and the improvement of the sub-sectors. Interventions with leverage points will be identified more easily and their implementation, realized with more coherence by taking account the "side effects" on other activities of the sub-sectors to be considered.

3.1.1 General intervention principles

a) Encourage the creation/training of associations

Usefulness: They can serve as tools to realize various interventions such that:

- the promotion of encounters capable to generate useful decisions
- the promotion of activities aiming the organizational development
- the development of management and endorsement services to Micro-enterprises

b) Realize studies of feasibility.

Usefulness: They can address problems linked to the generally identified constraints and allow to discover others constraints. In general, one can think of:

- promoting the development of feasibility studies by Micro-enterprises
- developing models of reference to facilitate the collection of data

c) Initiate a practice of services to be paid instead of free services, considering the Micro-enterprises as normal clients (one can modulate prices of services according to ability to pay).

Usefulness: Make the Micro-enterprises aware of their responsibilities in the development of their respective sub-sectors.

3.1.2 Specific intervention principles

○ Constraints of technology

The development and the introduction of the new and appropriate technologies will be better realized in the market boundaries. Real artisan needs will be more susceptible to be addressed than in a broad framework of measures. Programs of intervention have to be integrated according to an approach of effective participation of the private sector of Micro-enterprises.

○ Regulatory constraints

These problems will be better addressed through creation of relevant associations. Interventions that can end to favor the coalition:

- of association representatives
- of specialists
- of representatives of the legislative
- of donators

○ Supply Constraints

These constraints identified as raw materials overpricing problems, has to be linked to the monopoly structure of the import market. One can logically think of:

- promoting the supply by organizations working in the areas of micro-enterprises and/or by associations of artisans (in the form of technical assistance, organizational support, assistance concerning negotiation of financing).
- promoting the supply by the NGOs (in the form of organizational endorsement). A positive induced effect can be the creation of new resources for the concerned NGOs.
- promoting the competition by giving to artisans a certain assistance in the creation of supply enterprises.

○ Market constraints

These problems can be addressed by:

- helping the Micro-enterprises to develop marketing plan
- creating structures to facilitate link between buyers/addressees and Micro-enterprises
- insuring the promotion of Micro-enterprises in fairs and exhibitions
- developing activities of quality control

○ Financing constraints

Promote the training of associations of borrowers and to create guarantee funds in favor of Micro-enterprises in appropriated credit institutions.

○ **Training constraints**

These problems touch financial management, marketing and organizational development. The program of interventions has to be elaborated in the most targeted and specialized possible way. One will attach:

- to emphasize the application aspect
- to build programs on measure
- to make participate representatives of the sub-sectors in the development of the program
- to favor the popularization of management techniques of simple utilization and, if possible, specific to each sub-sector.
- to create frameworks aimed to assess any program real effects.

Table 4

Woodwork

CATEGORIES	CONSTRAINTS	POSSIBLE INTERVENTIONS
Technology	<ul style="list-style-type: none"> -archaic tools -bad quality of finish -seive/glacure -more sophisticated equipment (tour-oven-purification basin-muscel) 	<ul style="list-style-type: none"> -Help Micro-enterprises by means of NGO to realize feasibility studies for the appropriate tool purchase -Training to improve techniques of finish -Introduction of new production techniques: salty water, industrial glacure
Regulation	<ul style="list-style-type: none"> -Absence of regulations and effective measures for forest reproduction as source for woods of quality 	<ul style="list-style-type: none"> -Create groups of pressure and professional associations to force appropriate regulation in this area
Supply	<ul style="list-style-type: none"> -Rarity of raw materials and quality wood -Utilization of best quality clay -Adequation of raw materials used 	<ul style="list-style-type: none"> -Favor import of raw material and quality wood by creation of cooperatives of import, associations of professionals... -Laboratory analysis of different types of clay available
Training	<ul style="list-style-type: none"> -Technical training absence 	<ul style="list-style-type: none"> -Promote technical training on the basis of the needs identified by woodwork organizations
Access to market	<ul style="list-style-type: none"> -Absence of skill for export promotion and local marketing -Standardization of products -Quality control -Product diversification -Wrapping 	<ul style="list-style-type: none"> -Promote training in commercial engineering -Promote export with assistance of "diaspora" -Organize local fairs and participate to international fairs
Finance	<ul style="list-style-type: none"> -Non access to formal credit 	<ul style="list-style-type: none"> -Facilitate access to credit by means of cooperatives of borrowers to constitute funds of roll and to develop growth strategies
Other	<ul style="list-style-type: none"> -Absence of electricity -Repair of electrical system defective 	<ul style="list-style-type: none"> -Increase electrical energy supply to facilitate Micro-enterprises production (to be promoted by the State, NGOs,...)

Table 5
Sewing and general craftsmanship

CATEGORY	CONTRAINTE	POSSIBLE INTERVENTIONS
Technology	<ul style="list-style-type: none"> -Small scale workshops do not master techniques of production in series -Their equipment is obsolete and does not allow them to be competitive with imported clothes 	<ul style="list-style-type: none"> -Create training centers for the acquisition of new technology -Provide technical supports to actual training centers in order to promote technical a training of quality adapted to industrial production -Create structures managed by appropriate organizations to facilitate modern equipment acquisition, in the best price and quality condition supply
Supply	<ul style="list-style-type: none"> -Small scale workshops pay an exorbitant price for raw materials -Supply of raw materials been made in condition of quasi-monopoly -Bad quality, limited choice, rupture of stock, high cost of raw materials 	<ul style="list-style-type: none"> -Create structures of supply of raw materials managed by appropriate institutions -Create a supply center managed by NGO or professional managers -Promote supply enterprises -Creation groups of pressure to liquidate monopolies
Access to market	<ul style="list-style-type: none"> -Small scale workshops do not have resources to put in place individually sound marketing programs which could allow them to face invasion of the local market by imported products and to flow their production on export market -Ignorance of market potential -nonexistence of marketing structures 	<ul style="list-style-type: none"> -Create marketing structures managed by adequate institutions in order to execute program of marketing for local market and export market
Financing	<ul style="list-style-type: none"> -Small scale workshops have no access to the commercial banks 	<ul style="list-style-type: none"> -Grant Micro-enterprises when they ask for credit from the formal and informal financial systems

Conclusion

The main teaching of the preceding elements is the absence of institutional structures ahead to help the Micro-enterprises in their productive activities. This conclusion is not new since it is very often put in advance by various studies. On the other hand, the advantage of this report is to identify ways of interventions by which, beyond the global socio-economic aspect of the Micro-enterprise problem, some constraints can be addressed of effective manner with positive induced effects. A logical continuation to this report is the conduct of inquire in depth in order to target, in more precise manner, interventions with leverage effects at all production and marketing levels.