

Local Procurement in Haiti

A broad consensus exists within the international aid community that local procurement policies help to significantly increase economic benefits for global south countries that receive foreign assistance. Local sourcing of goods, services and labor creates a greater development impact by increasing job creation and direct investment in the country's economy. In a country like Haiti, where unemployment is estimated at 60%, such a policy can play an important role in reactivating the local economy following the devastating earthquake of January 12, 2010. Yet, much post-earthquake disaster assistance has undermined local markets and job growth, as evidenced by the initial importation of subsidized rice and other staple foods and the large percentage of recovery projects that have gone to foreign companies.

USAID has recognized the positive impact of local procurement and, in the context of its "USAID Forward" reform efforts, has [committed to](#) "contracting with and providing grants to more and varied local partners." USAID Procurement Director, Gary Juste, has emphasized this commitment at numerous U.S. government sponsored Haiti events, stating that, "We want to see more and more Haitian businesses gaining contracts and sub-contracts, within the next several years."

Despite these stated intentions, the current U.S. legislative framework, as well as USAID's complex procurement process, present significant challenges to more effective and widespread implementation of local sourcing of aid. Since the earthquake, only 0.02% of USAID's reported Haiti funding has gone directly to Haitian organizations as primary contractors. U.S. Beltway firms, meanwhile, have received 83% of direct USAID funding allocated through private sector contracts for aid programs in Haiti. Although USAID explains that these primary contractors are in turn subcontracting to more and more Haitian groups, the agency has not yet provided reliable data to corroborate whether this is in fact the case. Hence, it is difficult to measure the exact impact of subcontracting on the Haitian economy.

In order to advance its important procurement reform initiatives within Haiti, USAID must prioritize and increase the number of contracts signed with Haitian organizations, as both primary and secondary contractors. It can do this by making the USAID bidding process more accessible, by increasingly training Haitian organizations in how to meet pre-audit award standards and through accelerated capacity-building support for a greater number of Haitian organizations. This should include long-term technical support and managerial and business development assistance, delivered either directly or through intermediaries to local micro, small and medium enterprises and cooperatives, so as to enable them to scale up operations and effectively manage them.

USAID should also take all possible measures to ensure that local procurement is maximized at the sub-contracting level. These measures include working with primary contractors to establish

firm, binding targets for the quantity of funds channeled towards local procurement. These measures should be accompanied by the application of strict transparency-enhancing mechanisms, such as the provision of regular financial reports and independent audits, so as to ensure that primary contractors are respecting targets.

And finally, USAID is encouraged to publish further information on their procurement reform initiatives in Haiti and make this information easily accessible, in order to provide a clearer picture of the impact of US aid dollars on local employment and economic growth. These reports should be published and made available in Haitian Creole and French, in order for the Haitian government, organizations, the private sector and grassroots networks to have a better understanding of how U.S. aid can support local employment and ownership of the redevelopment process.

We therefore:

Call on USAID to set and report on specific targets for each Haiti project for a certain percentage of funds to be used for local contracting and subcontracting and on Haitian labor.

Call on USAID to strictly enforce their reporting requirements for primary contractors and to render public all reports provided by primary contractors that cover weekly (or monthly) activities, summaries of grant implementation, funds obligated and disbursed, summaries of grant implementation and detailed records of all subcontracting activities.

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