HAITIAN HANDICRAFT VALUE CHAIN ANALYSIS

microREPORT # 68

August 2006

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LIST OF ACRONYMS

ADPAH	Association des Producteurs d'Artisanat Haïtien
AMAP BDS	Accelerated Microenterprise Advancement Project – Business Development Services
ATA	Aid to Artisans
ATO	Alternative Trade Organization
CAH	Comité Artisanal Haïtien
DAI	Development Alternatives, Inc.
FOB	Free On Board
GTZ	Gesellschaft für Technische Zusammenarbeit
MSE	Micro- or Small Enterprise
NGO	Nongovernmental Organization
SOFIDHES	Société Financière Haïtienne de Développement
USAID	United States Agency for International Development

ACKNOWLEDGEMENTS

The analysis team would like to express its gratitude to USAID's Microenterprise Office and Haiti country mission for their support and assistance in preparing and conducting the analysis and stakeholder workshop. The team would also like to acknowledge the invaluable contributions of ATA in providing contact information for craft producers and sharing its overview of the sector.

EXECUTIVE SUMMARY

Haiti is known throughout the Caribbean, Americas and Europe for the quality and creativity of its handicrafts, especially metalwork. The capacity of the handicrafts industry to turn that advantage into a larger and growing market share is constrained by a number of factors. The objective of this assessment is to better understand the constraints and opportunities of the handicrafts industry in Haiti, and to present the findings to key stakeholders in the industry in order to develop a competitiveness strategy focused on greater efficiency, increased differentiation (including quality improvements) and accessing new markets.

Information was gathered through interviews with over 50 market actors in Haiti with additional interviews of experts in the global handicraft market, with a particular focus on the US[1], on trends and opportunities in the market. To permit a greater depth of analysis, interviews were limited to market actors involved in metal and papier-mâché crafts. This report focuses on the in-country assessment of the handicrafts value chain in Haiti and the stakeholder planning workshop.

The end market analysis identified important opportunities for the unique crafts of Haiti to find greater market share—particularly in the home accessories markets in the U.S. The in-country analysis identified six principal constraints and opportunities for market actors to increase the competitiveness of the overall sector and to increase benefits to micro- and small enterprise (MSE) craft producers including employees of large craft production firms—focusing in particular on the U.S. home accessories markets. These constraints and opportunities are:

- lack of access to product design services and timely market information for new product development
- lack of capacity to identify and link with buyers in all market segments
- lack of access to regular and affordable raw materials
- lack of access to production financing
- opportunity for intermediary agent services to link producers with foreign buyers
- opportunity for designer/producers to provide design services to craft factories and workshops

The in-country analysis was followed by a workshop for industry stakeholders designed to enable them to use the results of the analysis to establish priorities activities, plan next steps and delegate tasks—transferring control of the development agenda to the firms that have a stake in what happens to the sector. At this workshop, participants recommended focusing on the first two key constraints: lack of access to product design services and timely market information for new product development, and lack of capacity to identify and establish relations with buyers in all market channels. Upgrading in these two areas would allow artisans to produce a range of contemporary home accessories with distinctly Haitian characteristics and to sell to U.S. and other buyers.

The workshop participants developed a vision of a Haitian handicrafts sector having regained its renown as a source of handicrafts sought after by importers and tourists alike. To promote this vision and tackle priority constraints, the stakeholders formulated an action plan to i) increase communication among different market actors through workshops, associations and networks, and ii) identify existing and potential agents to fill a market intermediation role between producers and buyers that would be a source of information on market trends and connections to potential buyers.

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[1] The assessment of the Haiti handicrafts value chain was a collaborative activity in which the Haiti analysis and workshop was carried out by ACDI/VOCA and the global market analysis was completed by DAI.

The workshop was exciting for the facilitators and value chain consultants and the participants. This was the first time the participants had worked with a donor as key players in developing a strategy and plan of action. While the industry participants are engaged and committed to take action, getting private sector stakeholders to take ownership of and continue working towards a plan to make the industry more competitive is a process that takes time, support and considerable facilitation.

1. OBJECTIVES & METHODOLOGY

A. STUDY OBJECTIVES

The objectives of this value chain analysis were to:

1. identify opportunities to increase sustainable competitiveness of the Haitian handicraft sector
2. clarify market actors' constraints and opportunities to increasing competitiveness by analyzing inter-firm relations among actors, the actual and potential sources of learning and innovation, the distribution of benefits among actors, and the incentives for firms to upgrade, cooperate and compete
3. test a planning process in which participants in the handicraft sector use value chain analysis to establish priorities activities, next steps and delegate tasks

The findings of DAI's recent study of the global market opportunities for Haitian crafts, funded under AMAP BDS, helped shape the context for this analysis and provided focus. One finding underscored the importance of the U.S. market for Haitian crafts as an outlet for exports and future growth. As such, market actors' access to and inter-relations with U.S.-based buyers were looked at closely in this analysis, but not, however, to the exclusion of the Caribbean market.

Other findings noted the continued growth potential for handicrafts made from metal and new market opportunities for papier-mâché crafts. Consequently, interviews were generally limited to market actors playing a role in the materials supply, production and export of such crafts.

Finally, the studies noted a growing demand for craft products of a "global style." This style is a blending of contemporary design and functionality with indigenous design, as seen in many of the craft products sold at high-end retailers like Pottery Barn and Crate & Barrel. Such products are hard for competitors in other countries to copy successfully and therefore present Haitian craft producers with an opportunity to improve their competitiveness on the global market. As such, market actors with the current or potential capacity to produce "global style" crafts were also examined closely.

B. APPROACH AND METHODOLOGY

Prior to conducting the in-country analysis, three members of the field analysis team participated in a one-day roundtable where the results of DAI's global handicraft market study were presented and discussed. One member of the analysis team (Ted Barber) was also involved in researching challenges that U.S. buyers face when working with Haitian suppliers. These results were presented at the roundtable as well.

From April 25 to May 11, the analysis team conducted qualitative interviews with 56 market actors and key informants. Interviews were held in the capital Port-au-Prince, nearby towns of Croix des Bouquets and Carrefour, and the southern coastal towns of Jacmel and Cayes-Jacmel. The analysis team consisted of three expatriate and two local consultants, the latter providing invaluable insight into the local context and inter-firm dynamics.

Prior to the May 12 debriefing of the local USAID mission, the team synthesized information from its interviews and prioritized the constraints and opportunities highlighted by the market actors. This prioritization was based on the potential for a resolved constraint or realized opportunity to:

1. increase the competitiveness of the overall Haitian handicraft sector in terms of market actors' increased efficiencies, differentiation of products and penetration of new markets; and
2. benefit MSE craft producers, including employees of large craft production firms in terms of increased income, employment and opportunities for upgrading

Finally, market actors implicated in the resolution of constraints and realization of opportunities were identified as were their respective incentives, risks and challenges for doing so.

II. VALUE CHAIN CHARACTERISTICS

A. OVERVIEW

This section describes the various components of the Haitian handicraft value chain as it pertains to metal and papier-mâché based crafts. It includes descriptions of the U.S. end market, the business enabling environment in Haiti, and the market actors in the core value chain and supporting markets. Below is an overview of key elements in the Haitian handicraft value chain. Figure 1 on the following page portrays these elements and the links between market actors in a value chain map.

There are five end market channels through which Haitian actors can sell metal and papier-mâché crafts in the U.S.:

1. large, integrated importer/retailers such as Wal-Mart, TJMaxx, Pier 1 and Pottery Barn
2. importer/distributors which sell both to the large importer/retailers and independent retailers
3. independent retailers with small local and regional chains of stores
4. ATOs like Ten Thousand Villages and SERRV International which buy on a fair trade basis with producers
5. direct to consumers through web sites and tourism

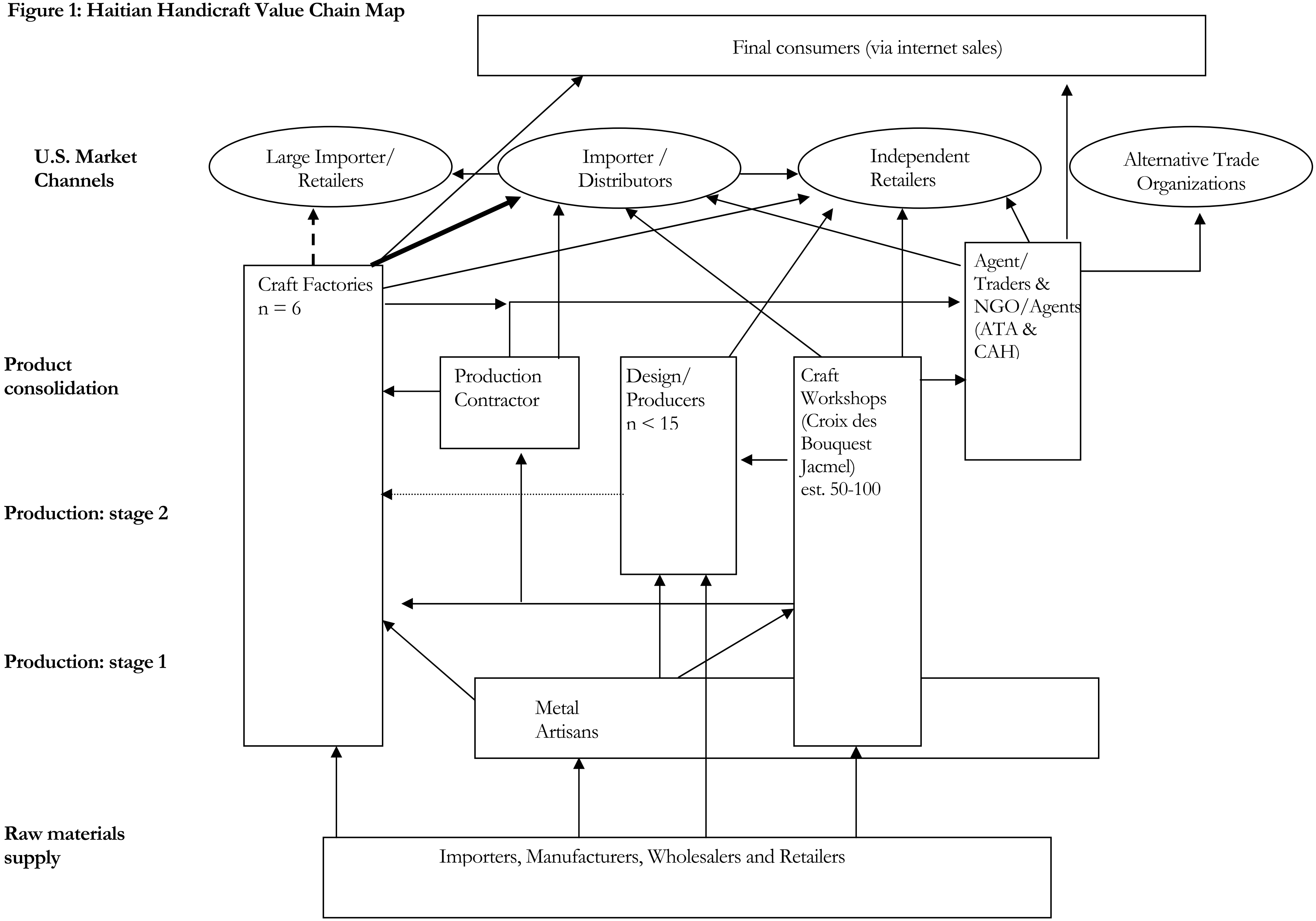
The functions of market actors in the value chain include:

- *Raw materials supply.* This includes manufacturing, importing, wholesaling and retailing of metal, paint and other materials.
- *Production stage-one.* Metal craft forms are cut from flattened drums or sheet metal and shaped. For papier-mâché crafts, molds are built and craft pieces are constructed.
- *Production stage-two.* Metal and papier-mâché crafts undergo finishing work, painting and preservative treatments.
- *Product consolidation.* Crafts are labeled and packaged and readied for shipment.
- *Export.* Crafts are expedited through export procedures and shipped.

The core value chain market actors include:

- *Craft factories*—large-sized firms with organized production systems and export operations
- *Craft workshops*—small-sized artisanal production and product consolidation operations
- *Production contractors*—supervisors of artisanal production with consolidation capacity
- *Metal artisans*—individuals or groups who cut and shape metal crafts in stage-one production
- *Intermediary agent/traders*—traders or representatives of importers who supervise and consolidate production and handle exporting
- *NGO/agents*—NGOs that fill the role of an intermediary agent/trader
- *Designer/producers*—product designers and manufacturers of small-quantity, high-value crafts for retail

Figure 1: Haitian Handicraft Value Chain Map



B. END MARKET CHANNELS

The U.S. is the largest market for home accessories (which is a proxy for the handicraft market in the absence of more specific data[2]) with an estimated $67.1 billion in retail sales in 2005, followed by Europe and Japan. For Haiti, the dominant export market is, by far, the U.S. While reliable trade data is not available, interviews with Haitian craft factory owners indicate that perhaps as much as 80 percent of Haiti's exported handicrafts are destined for the U.S., with a notable bias toward the southeastern states. While European buyers exhibit varying degrees of interest, the high cost of transatlantic freight is a significant disincentive. Although Canada has many ties with Haiti, its population of 33 million represents a relatively small market that is often viewed by distributors as an extension of the U.S. market.

The Caribbean islands[3] were and remain an important market for many Haitian craft producers, albeit far smaller than the U.S. The proximity, cultural similarities and large number of tourists in the Caribbean offer many market opportunities for Haitian craft producers. In addition, the Caribbean market is felt by many, especially the craft factory owners and designer/producers, to be a useful market in which to develop and test new products. One disadvantage of this market is the lack of distributors, which requires exporters to manage numerous buyer relations, each one buying comparatively small quantities.

The remainder of this section (and analysis), however, focuses solely on the U.S. market. For Haitian craft producers, there are five distinct market channels for selling handicrafts into the U.S. market. From largest to smallest, in terms of volume, these are:

1. large integrated importer/retailers
2. importer/distributors
3. Alternative Trade Organizations
4. direct to independent retailers
5. direct to consumers

At present, Haitian craft factories and artisans sell through all of these channels, though the vast majority of their products are sold through importer/distributors.

1. INTEGRATED IMPORTER/RETAILERS

When grouped together, large integrated importer/retailers are the largest channel of distribution for home accessories, and thus handcrafts. For Haitian craft producers, the main advantage of supplying importer/retailers is their orders for large numbers of units, often in the thousands, which allow producers to organize more efficient production. However, to attract the interest of these buyers and compete globally, suppliers must be able to:

- produce and deliver large unit quantities with high quality control at low prices
- fully finance production and accept net 30-60 day payment terms
- meet strict delivery dates (such as a two-week delivery window)
- comply with many product specifications in regards to labeling, packaging, labor standards, etc.

[2] The related market assessment noted the challenges of data collection given that handicraft products are not uniquely identified by current trade coding systems. Home accessories are a useful and commonly used proxy because they represent the key end market for handicraft products.

[3] There are 25 states and territories within the Caribbean islands; 38 in the greater Caribbean with a combined population of 250 million, 78 percent of which lives in Mexico, Colombia, Venezuela, Guatemala and Cuba. [www.insee.fr/fr/insee_regions/guadeloupe/publi/pano_demographics.htm]

For many producers, the benefits of very large orders are often outweighed by the risks, which include inadequate profit margins for unforeseen cost overruns, possible "charge-back" penalties for failing to comply with all terms and dependency on a few large, typically short-term customers to the exclusion of many smaller, often more long-term customers.

2. IMPORTER/DISTRIBUTORS

Importer/distributors, which sell to independent retailers (home accent and gift stores) and the above importer/retailers, are the second largest channel of distribution for home accessories. All of the Haitian craft factories export almost exclusively through this channel, each with 3-5 key customers. Compared to supplying the large importer/retailers, there are a number of advantages to working with importer/distributors including:

- more favorable terms, such as buyer financing (e.g., 50 percent prepayment) and full payment upon delivery to a Haitian freight forwarder
- tendency to be more flexible (though equally displeased) with delivery delays
- small, more manageable order quantities that do not dominate production capacity
- tendency for greater collaboration on product development and design
- greater likelihood of developing long-term relationships

Although being a competitive supplier to importer/distributors is less onerous than to the large importer/retailers, a supplier must still be able to respect delivery deadlines and deliver good quality. Most importantly, suppliers must be able to maintain communications, especially with regard to product designs, modifications and delivery status.

3. ALTERNATIVE TRADE ORGANIZATIONS

ATOs are also known as "fair trade wholesalers and retailers" and represent a unique and important market channel because of their commitment to greater equity in international trade. For craft producers in Haiti, especially the craft workshops, ATOs are an important market channel, mainly because of their regularity despite the political unrest. For example, in 2005, the ATO Ten Thousand Villages purchased $72,171 worth of handicrafts from Haitian artisans, which was primarily through the agent services of a local NGO, Comité Artisanal Haïtien (CAH).

At present, the fair trade purchases of Haitian handicrafts are as much as 10–15 percent of the current total craft exports. However, despite the difficulty in obtaining comparative sales data, it is clear that ATOs represent a small fraction of the actual and potential growth of Haitian handicrafts in the U.S. market.

4. INDEPENDENT RETAILERS

Today only a few suppliers sell directly to independent retailers. Clients are found through personal contacts or word-of-mouth, and transactions tend to be small, infrequent and unpredictable. Of all those interviewed for this report, only one craft factory and one export agent have created websites through which a small number of independent retailers in the U.S. and Europe currently purchase Haitian handicrafts.

The primary advantage of selling to independent retailers is to gain higher profit margins by eliminating importer/distributors. To be a competitive supplier, however, one must be able to:

- devote comparatively more time and resources to identify and market to a larger set of buyers
- manage numerous client relations that each represent relatively small quantity orders
- ship small quantities to numerous destinations

5. DIRECT-TO-CONSUMER

Direct-to-consumer remains a very limited channel because of both the marketing and logistical challenges of reaching and selling to many individuals in other countries and the near non-existent tourism that Haiti now attracts. However, one potential opportunity for direct-to-consumer sales rests with the cruise ship industry. Each week two or three ships, each carrying up to 2,000 passengers, anchor off the northern coast of Haiti and many of their guests come ashore in search of souvenirs.

C. BUSINESS ENABLING ENVIRONMENT

Overall the business enabling environment in Haiti does not favor new growth and investment, mainly because market actors, including buyers, lack confidence that the political instability and physical insecurity will dramatically improve in the near-term. Market actors also view the problem of corruption in a similar manner, especially as it affects imports of raw materials.

As a result, numerous craft factory operations have been seriously disrupted; one factory was even seized by the government. The recent threats of kidnapping first prevented some owners from going to their factories and then prompted a number to leave the country. Not only factory owners have been affected. One agent folded up operations because of increased physical threats to him and his family. Another trader ceased buying from any craft workshops because of her exposure while traveling. As for the buyers, many are used to working in challenging environments. However, the factory owners note that fewer buyers are coming to Haiti now. One large importer/retailer, TJMaxx, has internal policies that preclude its buyers from coming to Haiti until the situation improves.

The corruption most often cited by market actors occurs when importing raw materials. For example, craft factory owners note that high-value imports such as containers of metal run a considerable risk of being stolen or subject to arbitrary delays and tariffs. As a result, they refrain from purchasing too many materials at one time or investing in high-value materials, even though such investments could significantly reduce their materials costs.

The overall sense from market actors is that new investments, whether in marketing efforts, new equipment or expanding operations, are too risky because of the instability and corruption. Especially among the craft factory owners, there is a marked preference for waiting for the situation to improve. One factory owner noted his reluctance to take on new clients and expand operations accordingly as he could not assure delivery because of the unpredictable situation.

On a more positive front, some market actors can obtain exoneration from duties on imported raw materials if goods made from them are to be exported. The duties are typically 10 percent of the value and can be applied when importing or when buying wholesale from an importer. Because of their formal status, only craft factories currently qualify for this exoneration.

There are also donor-funded initiatives that support actors in the handicraft sector, but only indirectly. USAID/Haiti's project, implemented by Aid to Artisans (ATA), is the only effort to support craft producers directly. Some of ATA's activities include linking craft workshops and factories with international buyers, providing design services, and operating as an agent for an importer.

D. VALUE CHAIN PARTICIPANTS & INTER-FIRM LINKAGES

This section describes in detail the actors of the handicraft value chain. Emphasis is placed on the relationships between participants, flows of information, sources of learning, and benefits actors derive from participating in the value chain.

1. CRAFT FACTORIES

There are six craft factories with annual sales between U.S. $500,000 and $2 million a year. Together they export between two and ten containers a month. Before the embargo of 1991-1994, there were seven craft factories; the two largest having close to U.S. $5 million in annual sales each (one of these factories burned down in 1991).

The craft factories have integrated production and export operations, with production organized into discreet stages designed to increase productivity and reduce production costs. No other market actors have such highly organized operations. The factories also have specialized in-house senior and middle management responsible for such operations as production, product design, sales and marketing. Each factory employs between 100 and 400 artisans, most paid on a piece-meal basis. Pre-embargo employment figures were close to 3,000 for the largest factories.

The craft factories produce a broad range of home furnishings (furniture and other functional items) and decorative crafts, the latter constituting the largest percentage of overall sales. Decorative crafts are mostly made from sheet metal (or flattened drums) or papier-mâché. The papier-mâché products have seen a recent surge in demand. For one factory, which began selling papier-mâché items a year ago, these now comprise over 20 percent of total sales revenues.

Between 50 and 100 percent of factories' handicrafts are destined for the U.S. market, of which the southern tier of U.S. states, especially Florida, is the largest market, notably for the decorative papier-mâché and painted metal crafts. Most sales are to importer/distributors which purchase 70 to 100 percent of all crafts. The majority of importer/distributors are U.S.-based, although two factories sell between 25 and 50 percent of their merchandise to importer/distributors in the Caribbean.

Haitian exporters have in the past supplied a number of the large importer/retailers like Wal-Mart, Pier 1 and TJMaxx, but since the embargo, only a few have obtained orders with varying success in filling them. One craft factory, after successfully completing a couple of large-unit orders, failed, leaving several orders unfilled. Another company was reliant on an international NGO's subsidies to help it overcome cash flow problems.

Inter-firm Relations (Vertical Linkages)

Craft factories' relations with their principal buyers—U.S.-based importer/distributors—are typically long-standing and of a highly collaborative nature. For example, new product designs are proposed by both clients and craft factories. The final design, in either event, is often the result of several rounds of samples and suggested modifications between buyer and manufacturer. Also, importer/distributors generally advance between 40 and 50 percent of the final FOB[4] value to cover craft factories' production costs, and pay the balance upon delivery to the freight forwarder in Haiti. In a few cases, long-term clients placing successive orders may not be asked for an advance. Emblematic of their mutually supportive relationships, one factory owner accompanies his buyers to several of their U.S.-based trade shows to help promote his products.

The factories' relations with large importer/retailers are mainly structured by the client and are fairly one-sided. Clients tend to order specific products with limited input from the craft factory in terms of product size, color, etc.

[4] FOB—Free On Board—indicates that the quoted price covers all expenses up to and including the loading of goods aboard a vessel.

The purchase order is written almost entirely by the client and specifies payment penalties for late delivery or failure to meet a range of quality and labeling requirements. In general, relations are less flexible than with importer/distributors, with less support such as production advances. Perhaps most challenging for the producer, payment terms for importer/retailers are generally between 30 and 60 days after delivery to the buyer's U.S. distribution center.

The craft factories have limited collaborative relations with their raw materials suppliers. Relations with metal importers have been the longest-standing and most cooperative. For example, metal importers sometimes provide supplier-credit to the larger factories, but credit is limited to one order at a time. Historically, metal importers included craft factories' materials requirements in their annual purchasing projections. This is no longer the case, however, given the factories' drop in demand. Craft factories have enjoyed similar relationships with local paint manufacturers.

As with most market actors involved in craft production, craft factories have durable relations with outside artisans and have no difficulty in finding additional ones. Most craft factories out-source between 20 and 40 percent of their stage-one, metal craft production with outside artisans who generally work individually or in craft workshops. The work typically consists of cutting out forms from sheet metal or metal drums and giving them a convex shape. Artisans receive templates and negotiate a unit-price with a factory supervisor. Artisans generally receive a 50 percent advance, which must go toward buying the metal when not provided by the craft factory. Less commonly, an independent production contractor is engaged to oversee the production (this practice is more common with one factory when it out-sources the finished production of baskets and other woven products).

Text Box 1. Fostering Relations with Suppliers and Buyers

Sometimes an importer/distributor wants to order items not made by Metal Art, a local craft factory. Metal Art assists his buyer to locate workshops making the item and helps expedite their shipment to the importer at no extra charge. As Mr. Harry Wooley, Metal Art owner, noted, the arrangement suits his clients and strengthens his relations with local craft workshops.

Cooperative Relations (Horizontal Linkages)
At the operational level of marketing, production and raw material procurement, collaboration among craft factories is limited to:

- steering clients to other factories if one is unable to supply a particular product
- supplying a particular raw material if a factory runs short
- on rare occasions, assisting a factory fill a production order
- exporting containers for another factory with an expired export permit (a nuisance that occurs a couple of days every three months for all exporters)
- filling excess space on a container with another factory's pieces, especially if they are bound for the same client

In the 1970s and '80s, craft factories and other actors in the sector had highly collaborative relationships. Sector leaders point to an intervention by GTZ in the '70s that brought several factory owners to a Berlin trade show as the impetus. For the next ten to fifteen years, factory owners and designers met annually to develop new products and discuss marketing efforts. In the early '80s, this group even formed a marketing venture to sell crafts from a catalogue, which, however, lasted only one year. Overall, the tight collaborative efforts abated before the embargo as, according to one factory owner, "the handicraft sector lost its momentum and has been struggling to get it back."

In the past year, some factory owners and designer/producers have organized to lobby the government to promote a more positive image of Haiti as a safe place to do business. This group, Association des Producteurs d'Artisanat Haitien (ADPAH), is also trying to secure donor support for initiatives like a raw materials bank. The association is young and its members are not entirely decided on its direction. One owner of a large craft factory (also a member of ADPAH) doubts, however, that the association will last in its present form.

2. CRAFT WORKSHOPS

Like the craft factories, craft workshops integrate the production and sale of finished handicrafts. Unlike factories, the production processes of craft workshops are not systematized or enhanced with time and labor saving equipment. In addition, craft workshops are informal enterprises and must rely on third-party services to handle export arrangements. Craft workshops are also more modest in size, often with one manager/supervisor in addition to the owner, and typically five to ten artisans working at a time, though this number can rise as high as 50 for large orders.

Overall, craft workshops are more closely connected with Haitian cultural traditions, from which they derive creative inspiration, than are the craft factories. Many workshops also produce, in addition to the duplicated craft items, unique artistic pieces, or they are allied with artists who do so.

This study looked closely at two types of workshops, distinguished by the crafts they produce, namely crafts made of metal and papier-mâché. Overall, they have similar organizational structures and size and play similar roles in the value chain. As such, this analysis treats them as one discreet group of market actors. There are, however, three notable differences between these workshops:

1. They have different raw material requirements apart from paint and varnishes.
2. They are generally clustered in different locations. Metal craft workshops are clustered in Croix des Bouquets, a suburb of Port-au-Prince, although there are also workshops and artisans in other neighborhoods within and outside of the capital. Papier-mâché workshops are clustered in Jacmel on Haiti's southern coast, though again workshops can be found in other areas.
3. Metal craft workshops are the only workshops to produce semi-finished products for other market actors, mainly craft factories. Both stage one and two papier-mâché production is typically done in one workshop, with little to no outsourcing.

The majority of crafts produced by workshops are decorative; papier-mâché bowls—a design introduced by ATA—being a notable exception. The painted metal and papier-mâché often have nautical or tropical themes with bright colors, which has great appeal to the tourist market in the Caribbean and home decorators in the southern U.S.

Craft workshops predominantly exploit two market channels, either direct-to-consumers (i.e. tourists) or to importer/distributors directly or through intermediary agents or traders. Direct-to-consumer sales are not the largest percentage of annual sales (particularly with severely diminished tourism over the past two decades), but they are, according to craft workshop owners, an important gauge of current economic success and prosperity.

At present, the sales to importer/distributors take place in one of three ways:

- importer/distributors come to Haiti to identify suppliers and place orders

- an agent for an importer/distributor organizes production and product shipping
- a local trader buys and sells craft items wholesale (or retail) through a website

Of the crafts sold through agents or traders, it is estimated that 80 percent is destined for the U.S. market. At present, the majority of sales through agents involve either ATA or CAH. The latter is a local NGO that has been organizing orders for ATOs like Ten Thousand Villages since 1973. One metal workshop owner claimed that 70 percent of his annual sales is currently through CAH.

Marketing and Promotion

Marketing activities for craft workshops are generally passive to non-existent. The tendency is to rely on word of mouth about the quality of their products and wait for clients to come to them. One reason for this passive approach is that it is considered bad form for one workshop to promote itself above another or to attract a client on any basis other than the quality of its crafts. As such, craft workshops rely on their own boutiques to expose and attract customers. Facilitating this process are agents who coax visitors to workshops, for which they are paid a commission if the visitor purchases an item. Some of the agents identified by workshop owners include individuals, hotel taxi-drivers, salaried chauffeurs and tour organizers.

Inter-firm Relations (Vertical Linkages)

For all orders, whether from a tourist or an importer/distributor, a workshop requests a 50 percent advance. As most of their clients do not furnish any raw materials, much of the advanced funds cover these costs. When selling directly to an importer/distributor or through its agent, the craft workshop typically receives clear guidance on quality parameters and product specifications.

Generally, craft workshops' relations with their raw material suppliers are not as beneficial as they are for craft factories. At best, some workshops have access to price breaks from the metal importers, whether or not they buy in bulk. Most often, however, materials are bought from wholesalers or retailers (as is the case in Jacmel), from whom a few craft workshops may receive limited supplier-credit. In comparison to craft factories, not only do craft workshops pay higher prices for their raw materials, they also pay the full import duties for which many craft factories receive exoneration.

Cooperative Relations (Horizontal Linkages)

To some degree, craft workshops have stronger horizontal linkages than craft factories. For example, workshops will readily share technical production information and expertise. This is partly due to how fluid the artisanal labor force is between workshops. An artisan may work at one workshop on one order and go to another a couple of months later. Also, workshop leaders, or master artisans, typically provide drafting and drawing services to other workshops, especially those workshops founded by previous pupils or family members.

Conversely, craft workshops collaborate very little with regard to raw material purchases. Workshops collaborate only slightly more often with regards to marketing as when workshops share boutique space. Collaborating to fill an order is generally done as a last resort such as when a workshop has a pressing delivery deadline and is intent on respecting it.

3. PRODUCTION CONTRACTORS

A production contractor organizes the production of crafts at stages one and two and consolidates the finished products for sale. The only production contractors encountered in this analysis were members of the metal craft cluster in Croix des Bouquets and even there they do not appear to be very numerous. They generally receive orders from intermediary agent/traders or importer/distributors and subcontract the work to artisans and craft workshops.

Like craft workshops, they generally receive an advance from the client, then advance funds and materials to their artisan subcontractors.

Production contractors are typically individual actors who have strong connections with artisans and craft workshops—often through family ties—but do not have any production capacity themselves. In fact, their family ties to family-owned boutiques are often their primary means of attracting new business.

Text Box 2. Village-Based Production Contractors

One craft factory routinely uses village-based production contractors to ensure timely production and delivery of good quality baskets and other woven crafts. These production contractors are not directly associated with the artisans but are rather leaders in the community, such as church pastors. The production contractors negotiate directly with the craft factory and handle payment to artisans.

4. METAL ARTISANS

In this analysis, only independent artisans producing metal crafts were considered since papier-mâché artisans predominantly work in the above-described workshops. Metal artisans, working in groups or as individuals, are sub-contractors for much of the stage one production of metal crafts (see above) to craft factories, workshops or production contractors. The pool of artisans is fairly fluid. Some have worked for workshops or craft factories. Some will likely return to a workshop or organize their own, especially if there is a substantial order for finished crafts to fill. Some are successful artists who produce their own artistic pieces, but when the tourist market is low, they earn money making craft products.

Artisans working as subcontractors for craft workshops or production contractors typically receive more support than from craft factories, especially when artisans work in proximity to the workshop or cluster. For example, artisans are more likely to receive the materials and tools they need from craft workshop operators. They are also likely to receive more supervision regarding product quality as well as technical guidance for improving their skills.

5. INTERMEDIARY AGENT/TRADERS & NGO/AGENTS

There are several types of actors who play the role of an intermediary agent or trader. An agent's role generally includes one or more of the following responsibilities:

1. identify producers' crafts sought by an importer
2. facilitate communication, negotiation and settlement of product design requirements between importer and producers
3. supervise the fulfillment of orders
4. respond to and update importer on progress
5. control and inspect product quality
6. handle payment, including advances
7. ensure proper packaging and labeling
8. consolidate and expedite shipment of crafts to the importer

In Haiti there are few actual agents and fewer still who manage all of the above responsibilities. Currently, there are five types of agent:

1. independent actors who are agents for an importer of crafts: at present, there are only a handful of agents operating in Haiti, although others are thought to have recently come into existence. Independent agents generally assume all of the above responsibilities
2. a development project, such as ATA's, that takes on nearly all of a typical agent's responsibilities and works mainly with importer/distributors and importer/retailers
3. a local NGO, CAH, which fulfills all the typical responsibilities of an agent. CAH is the main representative of ATOs (Ten Thousand Villages, SERRV International, etc.) in Haiti and receives a commission of between 10 and 15 percent
4. craft factories: some craft factories are exploring the opportunity of sourcing additional craft products for existing and future importer clients, although many are not encouraged by their experiences to date
5. independent traders who buy crafts from multiple producers and sell them to importers—one method of managing such trades is to sell crafts over the internet as one six-month old company has started doing

6. DESIGNER/PRODUCERS

Designer/producers generally produce unique, high-value craft items that sell mainly to home-owners in Haiti and other Caribbean islands. Their products are functional home furnishings and decorative pieces of their own design. Overall, their crafts have a higher percentage of functional items than other craft producing segments in Haiti. Moreover, many of their home furnishing products closely reflect the "global style" of crafts that is a fast-growing segment in the U.S. market.

However, designer/producers have very limited production capacity and most out-source early production stages. The finishing work is done in their own workshops, often by the designer/producers themselves. Like the craft workshops, they employ between 10 and 20 artisans at a time.

Designer/producers have a history of collaborative relations with craft factory owners. In the past, designer/producers participated in the annual product design and development workshops. Presently, actors from this group are the strongest proponents of the professional association, ADPAH, mentioned above.

E. SUPPORT MARKETS

The following section describes the principal supporting markets for Haiti's handicraft sector.

1. METAL SUPPLIERS (FOUNDRY AND DRUMS)

The primary metal needs of craft producers are for sheet metal and, to a lesser extent, smooth small-width rebar. Sheet metal and rebar from metal foundries are available through two importers, namely Acierie d'Haiti and ImMetal—the former being the largest. Before the embargo, craft factories were more important clients for the importers than at present (although the construction industry was and remains the importers' number one market). Back then, the craft factories' annual demand figured regularly into importers' yearly projections. By comparison, craft workshops are an even smaller market for metal importers, especially as workshops much prefer working with metal drums than foundry sheet metal. When workshops do buy sheet metal, they either purchase it at bulk rates from an importer or (most often) pay wholesale or retail prices to distributors of construction materials.

Used metal drums are another important raw material for craft factories and workshops. The largest local suppliers of used drums are FOMASA (tomato paste cannery), MATPAR (a local paint manufacturer) and the vegetable oil repackaging company, all of which import their own raw materials in metal and plastic drums. Other channels for used drums are from the large-scale industries in the Dominican Republic, which import many more times the raw materials than the Haitian industries noted above. Drums from the Dominican Republic are brought overland to Haiti, mainly through informal traders. Finally, some attempts, unsuccessful to date, have been made by craft factor owners to organize the sale and delivery of flattened used drums from factories (e.g. Heinz) in the U.S.

2. PAINT AND VARNISH SUPPLIERS

Paints and varnishes bought by craft producers come from manufacturers in the U.S., the Dominican Republic and Haiti. The craft factories typically buy directly from several manufacturers, mainly because few factories can find all they want from just one manufacturer. Craft workshops, on the other hand, rely mostly on either importers of paint from the Dominican Republic—which is reputed to be half the price of locally made paints, or distributors of local products. Those workshops which buy locally produced paint often have difficulty getting the paints and colors they are looking for, especially if, like the workshops in Jacmel, they buy mainly from local retailers.

3. FINANCIAL SERVICES

There are four sources of financial services for actors in the craft sector:

1. *Commercial banks*—These institutions prefer to have lending clientele with at least U.S. $ 1.5 million in annual revenue, which excludes all but one of the craft factories. However, at least one commercial bank, Citibank, stated that although craft production is not one of its targeted sectors, it would be open to reviewing the application of any actor that meets its loan prerequisites.

2. *Société Financière Haitienne de Développement (SOFIDHES)*—This institution is a privately-owned development bank that provides investment funding for Haitian start-ups and expanding businesses. It has a mandate to fund ventures that commercial banks would find too risky. To support this mandate, its loans are guaranteed up to 50 percent by the European Investment Bank. SOFIDHES also provides consulting services to help borrowing companies assess their financial needs and manage their repayments. Begun in 1981, SOFIDHES has previously lent to four different craft factories, only one of which repaid the entire loan.

3. *Micro-lending institutions*—There are several micro-lending institutions in Haiti, the majority of which are affiliated with the local commercial banks. According to the largest mirco-lender, SOGESOL, small craft producers are not ideal clientele as they generally have low and irregular sales revenues, making them expensive and risky accounts to manage. For the craft factories, the loan limits are too small to be useful.

4. *Informal money lenders*—According to artisans and craft workshop operators, money lenders are only to be sought in emergencies. Their high interest rates are not affordable as lines of credit and are generally thought to be usurious.

All actors interviewed stated high interest rates as the primary reason they cannot or will not access financing. Citibank's commercial rates range from 22 to 28 percent in local currency and up to 16 percent in U.S. dollars. Micro-lending rates can be 35 percent or more.

4. SHIPPING SERVICES

Antillean and Seabord are the two most frequently used shipping companies for maritime exports. Antillean is preferred by many of the craft factories because it makes two voyages a week to Miami compared to Seabord's one. Antillean is a U.S.-owned company whose primary pursuit is to ship U.S. fabric to Haiti and then return with finished garments.

Airfreight services are dominated by Amerijet, another U.S.-owned company that flies freight between Miami and many of the Caribbean islands. Of all its airfreight from Haiti, handicraft shipments comprise 25 percent of the company's annual revenue. For the past ten years, the company offers a standard reduction for craft shipments of up to 50 percent. Its main competitor, American Airlines, is an irregular airfreight provider as it places priority on passenger baggage and does not always have space for additional cargo. Most airfreight shippers, along with their maritime counterparts, offer the services of a "broker," taking care of export documentation for those businesses without the necessary permits.

In addition to the above, there are two package delivery service providers, namely DHL and EMS. A local trader who sells crafts over the internet, ships exclusively with EMS with which she negotiated a 30 percent reduction in rates in light of her high shipping volumes.

III. FINDINGS

This section presents the principal findings of the analysis, in particular, the priority constraints to and opportunities for increasing the competitiveness of the Haitian handicraft sector. The section first reviews the process used to prioritize constraints and opportunities and then discusses them in order.

A. THE PRIORITIZAITION PROCESS

Thirteen different constraints and opportunities were identified through interviews with value chain actors. The analysis team prioritized these based on the potential for a resolved constraint or realized opportunity to:

1. increase the competitiveness of the overall Haitian handicraft sector in terms of market actors' increased efficiencies, differentiation of products and penetration of new markets; and
2. benefit MSE craft producers, including employees of large craft production firms, in terms of increased income, employment and opportunities for upgrading

The highest priority constraints and opportunities were those that strongly responded to both criteria. These are described below in detail. For a complete list of constraints and opportunities, and how they ranked in the prioritization process, please see Appendix 4.

B. CONSTRAINTS AND OPPORTUNITIES

1. THE NEED FOR AGENTS

Constraint: All market actors, to varying degrees, lack the capacity to identify and establish relations with buyers in various U.S. market channels, especially the craft factories and craft workshops.

For craft factories, this constraint results in stagnant, if not declining, annual sales. One factory owner stated that profitability is jeopardized when annual sales fall below U.S. $500,000. Previously, craft factories had more contact with potential buyers who visited Haiti on a regular basis. Since the embargo and because of the prolonged period of poor personal security, many buyers have curtailed visits to Haiti or ceased coming altogether. Many factory owners believe that buyers perceive Haiti as too unstable and too risky an environment in which to do business. The situation of prolonged instability has also kept some factory owners from seeking new business opportunities or investing in marketing activities, as they themselves feel that such investments are best made in a climate of greater business confidence.

Other factory owners note that they are entirely occupied filling orders for current clients and have little time or funds to reach out to additional buyers. For many of these owners, they simply do not have the time or resources to develop their marketing capacity. As product development is constrained as described below, most resources are wrapped up in managing raw material supply and production issues. Other factory owners, notably those with older, established craft factories, are generally satisfied with their existing client base and are not actively seeking more clients.

For craft workshops, this constraint results in fairly irregular and low production volumes and correspondingly poor sales revenues. At present, craft workshops access U.S. markets mainly through NGO/agents like CAH and ATA.

In general, there is an opportunity and a need for private agents and other intermediary traders to provide craft workshops with greater market access.

Opportunity: There are opportunities for additional market actors to operate as intermediary agents or traders linked with or selling to U.S. importers. The typical roles of an intermediary agent are laid out above but generally include supervising order fulfillment, controlling product quality, expediting shipment and handling payment. There are opportunities for an actor to fill one or all of these roles.

There are promising indications for growth of the intermediary agent function including:

1. Importer/distributors in the U.S. have expressed a strong desire to have Haiti-based agents who can fill one or more of the typical agent roles. Importer/distributors noted that the lack of such agents is one of their major constraints to sourcing crafts from Haiti.
2. Existing agents or persons new to the roles of an agent have enjoyed either good growth or continued success. One trader, who began selling crafts from an internet site over 6 months ago, has had revenues grow from U.S. $3,000/month to over U.S. $10,000. One factory owner intends to increase his agent operations as a means of generating additional revenues and efficiencies without incurring too many more direct costs. The typical commission for an agent in Haiti is between 20 and 25 percent.
3. The most active entities filling the role of an agent are two subsidized organizations, which attests to the utility of and need for agents though not necessarily the profitability of the role.

Several value chain actors noted the following constraints to fulfilling an agent's role and responsibilities:

- A starting agent may not have a large enough client base or sales volumes to achieve economies of scale and be profitable. An agent's greatest overhead costs are typically for local transportation and communications but can include expenses for storage and additional personnel. Transportation costs in particular can be very high, especially if craft producers are far removed from one another and the need for follow-up and supervision of craft producers is high.
- Many workshop owners and small-sized craft producers generally mistrust agent-types having felt poorly treated in the past. Existing or new agents have an extra burden of earning producers' trust, which may take considerable time and effort. However, CAH, the local NGO/agent, is respected and trusted by craft workshop owners in its agent role. Workshop owners generally appreciate the transparent way in which CAH negotiates prices, handles money and is forthcoming about the identity of the final buyer.

A number of market actors and individuals whose skills might favor their ability to operate profitably as agents were identified. The skill-set for an agent typically includes the ability to use communication technologies (especially in English), supervise others and manage logistics, especially local and international transportation logistics. The types of market actors and individuals with some or all of these skills include:

- craft factories owners and former or current employees of craft factories
- existing traders from other sectors, possibly with previous handicraft experience
- former or current employees of assistance programs to the sector
- local craft retailers
- Haitian diaspora/returnees
- production contractors or craft workshop operators

- local coaxers who direct tourists and other visitors to craft workshops

2. ACCESS TO PRODUCT DEVELOPMENT SERVICES AND MARKET INFORMATION

Constraint: Craft factories and workshops lack access to affordable and readily available services for new product design and development, and all actors lack regular access to market information on more marketable designs and products sought by growth markets.

Figure 2: Painted Metal Gecko

Craft factory owners, as a result, feel they are missing out on important opportunities to reinvigorate sales by finding new winning products that will become mainstays for the Haitian handicraft sector, much as the painted metal gecko (see Figure 2) has been for the past several years.

At present, craft factory owners allocate most of the firm's time and resources to filling current clients' orders and solving production problems, notably sourcing raw materials and improving production efficiencies. Little time or opportunity remains to design and develop new products. Most craft factories do have in-house product design and development capacity and are constantly developing new product models, upwards of three to four per week. However, new models are usually variations on existing products and not necessarily completely new products.

Historically, craft factories were more active in developing new products, often collaborating with other industry actors in the process. Such inter-firm collaboration is less frequent today as many of these factory owners and other actors have either left the sector or no longer have the same ambitions or priorities.

For craft workshops, this constraint is seen as the primary cause of stagnant product designs that do not keep up with market trends and new opportunities, slowly losing appeal and resulting in fewer sales.

Many of the craft workshop operators valued the interventions of designers brought to Haiti by ATA. They found the designs appealing and were able to build from them. In general, workshop operators saw that regular access to design and product information would enable them to generate new designs more often, which would further enable them to attract more buyers.

Opportunity: Designer/producers have an incentive to earn more from their creative designs and new products, many of which closely resemble a global style that currently has a growing market in the U.S. Nearly all designer/producers have limited production capacity as their operations are geared to producing unique, high-value items. As such, they only sell limited numbers, albeit to high-end retailers. There is, therefore, an opportunity and an incentive for them to collaborate with craft factories and workshops to manufacture their existing or modified products in large volumes. Designer/producers, however, also face certain constraints in realizing this opportunity, which include:

- A lack of knowledge of the market potential for their products in the U.S. Many of their existing products are likely not directly marketable in the U.S. without first modifying them to the tastes of consumers. Designer/producers may need to collaborate also with U.S. importers to help modify their products accordingly.

- Some of the designer/producer products require importing fairly expensive materials or inputs, which poses risks given the erratic behavior of customs officials and theft at the port.
- Some production processes of designer/producer products may not correspond to existing production lines of craft factories or workshops. As one factory owner noted, he would be very unwilling to invest in new production processes but would be more inclined to augment existing capacity.

3. ACCESS TO REGULAR AND AFFORDABLE INPUTS

Constraint: All market actors lack access to regular and affordable supplies of raw materials, metal in particular.

For craft factories, this results in much time and effort being spent in sourcing materials that fall within acceptable cost ranges. As noted above, managing raw material supplies is extremely time consuming and often prevents factory operators from investing in other activities to grow their businesses. In addition, fluctuating prices for materials make price calculations difficult and potentially risky, especially for low-margin, high-volume orders where an upward shift in materials prices can quickly cancel any profit. As an example, metal importers have raised prices by 30 to 40 percent in the past six months due to a global lack of supply.

Even if prices stabilized, many factory owners expressed unwillingness to import their own materials. The cost of a container of metal, between U.S. $40,000 and $50,000, is beyond the reach of most factories and is too much money to tie up in a year's worth of materials. Also, most factories are not willing to risk having such a valuable cargo stolen at the port or held-up by authorities, for which there is ample anecdotal evidence. There is an opportunity for craft factories to import materials together, however their respective material requirements are not always the same nor do they occur at the same time.

Craft workshops such as the papier-mâché workshops in Jacmel pay fairly steep retail prices for their paints and can not always find the paints they need. The metal workshops have seen metal prices climb steadily to where a used drum costs three to four times more than it did three years ago.

Both types of workshop have little means of controlling materials costs as they typically buy materials at retail prices and have no access to financing with which to make bulk purchases. Some workshop operators acknowledge that there is an opportunity for collective purchasing of raw materials. However, most operators note that collective purchasing is an unlikely prospect for two reasons:

1. multiple workshops rarely receive orders requiring the same materials at the same time; and
2. workshops are unable to purchase materials without first having an advance for an order

The result of these constraints is that craft workshops have:

- difficulty meeting delivery dates at moments when certain materials are unavailable or in short supply
- lower profit margins when the cost of materials rises unexpectedly
- difficulty making accurate price quotes when prices fluctuate or when a workshop incurs extra transportation costs to procure the required materials
- no ability to accept orders above a certain magnitude beyond which they can not be sure of finding sufficient materials

4. ACCESS TO FINANCING

Constraint: Craft factories lack access to financing with which to increase production capacity or improve productivity to satisfy large orders. As a result, craft factories are unable to consider orders for large unit quantities.

This constraint particularly blocks craft factories from becoming competitive suppliers to large importer/retailers, which represent an untapped yet sizable market for Haitian handicrafts. As noted above, typical suppliers to importer/retailers must finance all production costs themselves, unlike with importer/distributors, and accept net 30–60 day payment terms, which places an additional strain on cash flows.

5. ENABLING ENVIRONMENT CONSTRAINTS

Constraint: The lack of a secure political environment, as seen above, has negative effects for all market actors. These include:

- unwillingness by craft factories to make major investments in, for example, raw material stocks, production facilities and marketing campaigns
- reduction of tourists and visitors to the island who are a steady source of customers for craft workshops
- reluctance of buyers to visit Haiti or conduct business with local producers, especially for large orders

IV. STAKEHOLDER WORKSHOP

On July 19, a workshop was held for stakeholders of the Haitian handicraft industry. Representatives of craft factories, designer/producers and craft workshops participated (see Annex 5 for a list of participants). The purpose of this workshop was to create a process through which participants from multiple levels of the value chain come together to develop their own action plan for making the handicrafts industry more competitive for all of them and more profitable for each of them.

The objectives of the workshop were to:

- share the results of handicraft value chain analysis including the global market study to inform decision-makers
- examine constraints and opportunities to enable market actors to identify priorities
- facilitate the articulation of a stakeholders' vision for a more competitive handicraft industry
- support participants in the development of an action plan to achieve their vision, identify priority activities and delegate responsibility for them among themselves

Following a rich discussion of the range of constraints impeding increased efficiency, productivity and market access, the workshop facilitators asked participants to identify those the most binding constraints that if alleviated would provide opportunities for participants even if other constraints were not lifted. Secondly, they were asked to prioritize constraints regarding which they could take action even in the absence of external support. From that discussion participants recommended focusing on two key constraints:

- lack of access to product design services and timely market information for new product development
- lack of capacity to identify and establish relations with buyers in all market channels

Following the identification of priority constraints, stakeholders were asked to formulate a vision of what the handicrafts industry would look like if it were more productive, efficient and competitive over the next three years. Since this was a group process, participants came up with a number of interesting ideas. One element of this vision was for increased communication among the industry's market actors leading to the exchange of ideas and more collaboration between designers and factories to create products of greater value that combine multiple materials. An additional element focused on greater and timely access to market information, especially concerning buyer trends, and exposure to and encounters with foreign buyers. All participants agreed that their vision was of a Haitian handicrafts sector having regained its renown as a source of handicrafts sought after by importers and tourists alike.

To promote this vision and tackle priority constraints, the stakeholders formulated an action plan. Regarding increased communication among different market actors, stakeholders recommended:

- organizing a larger workshop, similar to the present one, that would bring more market actors around the table to take action on the constraints and issues raised
- initiating communication between different market actors to promote the idea of a network open to all participants performing functions along the value chain
- using existing associations of market actors (ADPAH, associations of craft workshops and artisans, etc.) as fora for discussing and promoting the existence of a larger network
- beginning negotiations on what form this network would take

Regarding greater access to buyers and timely information on consumer trends, stakeholders recommended:

- identifying existing and potential agents who now fill or could fill a market intermediation role between producers (craft workshops, craft factories, designer/producers) and buyers that would be a source of information on market trends and connections to potential buyers
- holding a meeting of existing and potential agents in order to address whether and how agents could facilitate more transactions and more up-to-date information from buyers to producers

The priority activities from this action plan included i) identifying existing and potential agents, ii) assessing the viability of using agents, and iii) creating a committee that would help agents, producers and U.S.-based importers foster mutually beneficial business relationships.

As a first step forward, Raymond Morailles, a craft factory owner, will report the proceedings of the stakeholders' discussions to an existing association of factory owners and designer/producers and suggest that this association facilitate steps toward identifying and assessing the commercial viability of intermediary agent services.

The workshop was exciting for the facilitators and value chain consultants and the participants. This was the first time that they had worked with a donor as key players in developing a strategy and plan of action. In spite of challenges during the workshop—which included shooting in the streets of Port au Prince, and initial hesitancy to assume responsibility for tasks—the participants did i) identify priority constraints, ii) develop a vision for improving the performance of the industry that confirmed the findings of the field and global study, and, iii) most importantly, take ownership of the process and establish a plan to move the industry forward themselves.

Based on the analysis of the Haitian handicrafts industry from input supply to international importers, representatives of Haitian producers, designers and handicraft factories came together and identified priorities and developed a short-term action plan to improve their access to information and buyers from high-end markets. While the industry participants are engaged and committed to take action, getting private sector stakeholders to take ownership of and continue working towards a plan to make the industry more competitive is a process that takes time, support and considerable facilitation.

V. RECOMMENDATIONS FOR NEXT STEPS

Following the stakeholders' workshop and debriefing with USAID/Haiti, the assessment team proposed a set of possible next steps. The two highest priorities are to support the nascent initiative taken by the participants at the stakeholders' workshop towards improving access to timely information on product development and design; and assessing the feasibility of expanding the commercial agent function.

1. NEW PRODUCT DEVELOPMENT & DESIGN

Current design assistance to producers falls short of identified market opportunities. The biggest growth market potential is in the global plus niche in which global contemporary designs are Haitianized with unique accents and harder to copy or duplicate mixed media. Contemporary products and contemporary functionality are important—products that easily fit into homes, but have a wonderful, indigenous element to them. The only way for the artisan to survive is to tap into his/her own indigenous culture to find what is really unique. Leveraging local talent identified in the designer/producers by linking them more effectively with buyers will go a long way to address this constraint. Indigenous designers should be invited to the biannual New York International Gift Fair to learn and see what is being done and to receive training. The goals of such activities will be i) to increase the design capability of the entire sector (craft factories, designer/producers, artisan ateliers) and ii) in the near-term, to expose buyers to new products of local producers at trade shows and through other media.

2. ESTABLISHMENT OF VIABLE AND COMMERCIAL HANDICRAFT AGENTS

An exporter/agent actor is critical to the link between Haitian handicraft producers, and designers and global buyers. Commercial agents will need extensive training, access to financing, proper equipment and communications, and opportunities to meet buyers and market their products. After an initial assessment of the commercial feasibility of increasing the number of agents, prospective agent entrepreneurs should submit business plans and applications and the best should be selected. Selected agents should commit to a code of fair practice, including transparency in establishing fees and margins, in exchange for program support and training. While the local industry is capable of committing resources to supporting the establishment of commercial agents, this activity will likely require a private sector business-oriented implementing partner.

3. LONGER-TERM

In a longer-term intervention, the other constraints identified during this analysis should also be addressed, including lack of access to financing, poor enabling environment and irregular and expensive inputs.

ANNEX 1: SCOPE OF WORK

Background

Haiti is known throughout the Caribbean and the Americans and Europe for its arts and crafts (especially metalwork). While local factories and retail outlets are few in number since the embargo of the early 90s, there are a plethora of internet sites that sell Haitian art and crafts and still others that laud Haiti's culture of art and creativity. Haiti's artisans, while mostly poor and unexposed to the demands of the global marketplace, are talented and open to innovation, especially when it opens new markets.

Today, only a handful of craft factories (businesses employing more than 100 people) survive. Many of these factories, including Drexco, Metal Art, and Cohart, are threatened by competition from China. One manufacturer of crafts noted that the Chinese had copied – in plastic – their metal products and sold them to their long-term distributor for one third the price. After surviving the repeated internal shocks of the 1990s, these surviving exporters are now facing an even greater challenge from China and/or other Asian countries. Given the very expensive port costs in Haiti, the limited electricity, the need to import many inputs, inadequate telecommunications and road infrastructure, and a labor force that does not always understand the efficiency demands of the market, Haitian craft exporters fight an uphill battle against the efficient, low-cost Chinese manufacturers.

USAID/Haiti has invested in the handicraft sector for a number of years, supporting Aid to Artisans (ATA). ATA's program in Haiti, while it has made some laudable strides, has lacked a clear vision and plan for developing the craft industry, including an articulated (though perhaps an implicit one existed) strategy for positioning Haiti's industry competitively in the global marketplace. Part of what is needed is a better understanding of the constraints and opportunities of the industry, the outlines of what a competitive strategy might look like, and some practical strategy for how to move the industry forward in this challenging environment.

The recent evaluation of ATA's program made clear some real progress regarding the introduction of designs, production techniques, market opportunities, and sources of inputs. It also called for:

- a strategy or plan for the development of the industry
- a competitiveness strategy that positions the industry in the global marketplace
- a commercial strategy for local upgrading
- sustainable supporting markets that meet the needs of the industry
- improved vertical and horizontal linkages that reduce transaction costs and improve economies

Statement of Work

1. The contractor will conduct a value chain assessment to better understand the constraints and opportunities of the handicrafts industry in Haiti.

2. This value chain analysis should build off of the global market study aimed at understanding the global competitiveness of the of the industry (of the end market) and should clarify:
    - competitiveness strategy (end market) for the industry (focused on improved efficiency, improved quality/differentiation, and/or changes in demand)
    - the constraints and opportunities along the value chain, especially in light of internal conditions in Haiti and changes in the global marketplace (the threat of China, India and others)
    - the relationships among actors that either inhibit or contribute to competitiveness

- the actual and potential sources of learning and innovation in the chain, and
- the distribution of benefits from the bottom to the top of the chain.

3. The value chain analysis should clarify incentives for upgrading, cooperating, and competing in the global marketplace.

4. The contractor should ensure the participation of the value-chain actors in the assessment and – with the assistance of USAID – hold a stakeholders meeting to ground-truth constraints and develop a list of potential solutions to industry problems.

5. The contractor should make clear the competitive potential of this sub-sector, priority investments needed to improve competitiveness, and strategies for how to ensure the participation and/or ownership of the industry stakeholders in future investments.

Deliverables

1. The contractor will develop a draft report and – after receiving comments from this mission – a final report.

2. The contractor will work with the Mission to organize a stakeholders meeting, including management of logistics, note-taking, and writing of a final report for inclusion in the annex of the report referred to in 1.

ANNEX 2: FIELD ITINERARY

Date	Activity	Name	Company Name	Value Chain Actor
April 26				
	Interview	Sally Baker	USAID/Haiti	
	Interview	Anne Pressoir	Aid to Artisans	Key informant/NGO Agent
		Alexis Gardella	Aid to Artisans	Key informant/NGO Agent
	Team Orientation			
April 27				
	Interview	Serge Dominick	Bagatelle	Craft Factory
	Interview	Hans Garoute	INDEPCO	Key informant
	Interview	Harry Woolley	Metal Art	Craft Factory
	Interview	Gisele Fleurant	Comité d'Artisanat Haïtien (CAH)	NGO Agent
	Interview	Raillmond Morailles	COHART	Craft Factory
	Interview	Gisele Fleurant	Comité d'Artisanat Haïtien	NGO Agent
	Interview	Pierre-Richard Sam		Designer/Producer
	Interview	Stephanie Armand	Sud & Co	Designer/Producer
April 28				
	Interview	Einstein Albert	Einstein Originals	Craft Factory
	Interview	Dominique Carrie	Carrie Art Collection	Agent/Gallery Owner
	Interview	Joel & Magalie Dresse	Drexco	Craft Factory
April 29				
	Interview	Jean Derosiers		Craft Workshop (metal)
	Interview	Serge Jolimeau		Metal Artisan
	Interview	Exuvier Jolimeau		Production Contractor
	Interview	Jonas Soulouque		Craft Workshop (metal)
	Interview	Michel Ramil Remy		Craft Workshop (metal)
	Interview	Norbert Milfort		Craft Workshop (metal)
	Interview	Julio Balan		Craft Workshop (metal)
	Interview	Jean Wilbert Bruno		Craft Workshop (metal)
	Interview	Jean Rony Jaques		Craft Workshop (metal)
May 1				
	Team Debriefing			
Jacmel Team				
May 2 :				

Date	Activity	Name	Company Name	Value Chain Actor
Travel to Jacmel				
Interview		Mario Charles		Craft Workshop (papier-mache)
Interview		Patrick Boucard, George Metellus	FOSAJ	Key Informant
Interview		Lucien Pieds, 5/2… in Jacmel		Coaxer/agent
May 3				
Interview		Gerard Dumé		Craft Workshop (papier-mache)
Interview		Roosevelt Desrosiers		Craft Workshop (papier-mache)
Interview		Moro Baruk		Craft Workshop (papier-mache)
Interview		Eric Lafond		Craft Workshop (papier-mache)
May 4				
Interview		Edner Pierre-Pierre		former Craft Factory family
Return to Paup				
Port au Prince Team				
May 2				
Interview		Kettly Mellon, Danielle Nargron	Industries Acra (Inmetal)	Raw Material Supplier
Interview		Jesus Dominguez, Franck Loubat	Antillean d'Haïti	Sea Freighter
Interview		Philippe Bernadotte	MSC Haïti	Sea Freighter
Interview		Romeo Barrella, Jean-Marc Glaudon	Aciérie d'Haïti	Raw Material Supplier
May 3				
Interview		Eric Jabouin	Micro Credit Capital	Financial institution
Interview		George Morris		Agent/Buyer
Interview		Gilbert Martin & Pierre Brisson	Visions Industries	Craft Factory/Agents
Follow-up Interview		Gisele Fleurant	Comité d'Artisanat Haïtien	NGO Agent
Follow-up Interview		Anne Pressoir	Aid to Artisans	Key informant/ NGO Agent
May 4				
Interview		Sadrole Legens, Julien Odner	Atoupas Shop International	Craft Workshop (metal)
Interview		Bernard Vante	Benco Hardware	Raw material retailer/wholesaler
All Teams				
May 5				
Interview		Lionel Menos		Agent
Interview		David Reimer	US Embassy in Haiti	Key informant

Date	Activity	Name	Company Name	Value Chain Actor
	Interview	Marie Louise L Gardere	Cerabwa	Designer/producer
	Interview	Hansie Duvivier	Idées Lumineuses	Designer/producer
	Interview	Genevieve Menos	Les Ateliers Raymond Menos	Designer/producer
	Interview	Caroline Charles		Designer/producer
	Interview	Ginette Taggart Lebarbé	Les Ateliers Taggart	Designer/producer
May 6				
	Team Debriefing			
May 8				
	Interview	Lionel Pressoir		Key informant
	Interview	Jean-Marie Boisson	Sogebank/SOPHIDES	Financial Insitution
	Interview	George Celcis	Napex	Craft Factory
	Interview	Marguerite Graham	Citibank	Financial Institution
May 9				
	Interview	Herve Malebranche	Amerijet	Air Freight
	Team Debriefing			
May 10 – 11				
	Team Debriefing and Reporting			
May 12				
	Debriefing of USAID/Haiti			
	Return to US			
May 19				
	Stakeholder Workshop			

ANNEX 3: LIST OF INTERVIEWEES

Value Chain Actor	Name, Position	Company Name	Contact Information
Agent	Gisele Fleurant, Executive Director	Comité d'Artisanat Haïtien (CAH)	PauP, Haiti T : 509.210.5291 giselef7@yahoo.com
Agent	Dominique Carrie	Carrie Art Collection	PauP, Haiti T : 509.401.0145 info@carrieartcollection.com
Agent	Lionel Menos		PauP, Haiti T : 509.445.0909
Agent/Buyer	George Morris		Atlantic Beach, NC T : 252.342.8900
Air Freight Transporter	Ervé Malebranche, General Sales Agent for Haiti	AmeriJet	PauP, Haiti T: 509.250.1419/1421 emalebranche@amerijet.com
Coaxer/agent	Lucien Pieds		Jacmel, Haiti
Craft Factory	Serge Dominick	Bagatelle	509.556.0840
Craft Factory	Gilbert Martin & Pierre Brisson	Visions Industries	PauP, Haiti T : 509.250.2649 visions@acnz.net
Craft Factory	Harry Woolley, Owner	Metal Art, S.A.	PauP, Haiti T : 509.250.1236/1237 C : 509.550.5549 metalartsa@hainet.net
Craft Factory	Magalie Dresse, VP Sales & Marketing	Drexco	PauP, Haiti T : 509.221.3543 C : 509.454.0650 mdresse@drexco.com www.drexco.com
Craft Factory	Georges Celcis, Owner	CELEX	PauP, Haiti T : 509.410.9093 geomi@hotmail.com
Craft Factory	Johnny Boulos	ACE Basket	Port-au-Prince T: 509.454.0805 jvb@hughes.net
Craft Factory	Victor Boulos	Ace Basket	PauP, Haiti
Craft Factory	Ray Morailles	COHART S.A.	PauP, Haiti T: 509.257.4810 (509) 556-6360

			cohartsa@hotmail.com
Craft Workshop	Julio Balan, Owner	Nouveau Shop Sculpteurs Métalliques	Croix des Bouquets, Haiti T : 509.558.4086
Craft Workshop (metal)	Jean Derosier		Croix de Bouquets
Craft Workshop (metal)	Jonas Soulouque		Croix de Bouquets
Craft Workshop (metal)	Michée Ramil Remy		Croix de Bouquets
Craft Workshop (metal)	Nobert Milfort		Croix de Bouquets
Craft Workshop (metal)	Jean Wilbert Bruno		Croix de Bouquets
Craft Workshop (metal)	Jean Rony Jaques	Le Palmier Shop	Croix de Bouquets T : 509.407.8864
Craft Workshop (metal)	Sadrole Legens	Atoupas Shop International	Croix de Bouquets T : 509.555.4172
Craft Workshop (papier-mache)	Mario Charles		Jacmel, Haiti
Craft Workshop (papier-mache)	Gerard Dumé		Jacmel, Haiti
Craft Workshop (papier-mache)	Roosevelt Desrosiers		Jacmel, Haiti
Craft Workshop (papier-mache)	Moro Baruk		Jacmel, Haiti
Craft Workshop (papier-mache)	Eric Lafond		Jacmel, Haiti
Craft Workshop (papier-mache)	Edner Pierre-Pierre		Jacmel, Haiti
Designer/Producer	Pierre-Richard Sam		PauP, Haiti T : 509.423.2376/257.7065
Designer/Producer	Cassandre Mehu	Raco Deco	5 bis, Rue Metellus, P-V, Haiti T : 509.425.8870/419.6495
Designer/Producer	Stephanie Armand	Sud & Co	PauP, Haiti T : 509.401.0841 stephanie@sudnco.com
Designer/producer	Marie Louise L Gardere	Cerabwa	PauP, Haiti T : 509.443.0839 manou09@aol.com cerabwa@aol.com
Designer/producer	Hansie Duvivier	Idées Lumineuses	PauP, Haiti T : 509.257.4050

			hduvivier@hotmail.com
Designer/producer	Genevieve Menos	Les Ateliers Raymond Menos	PauP, Haiti T: 509.558.4480 ginoumenos@yahoo.fr
Designer/producer	Caroline Charles		PauP, Haiti T : 509.456.3155 or 556.7595 jacca43@hotmail.com
Designer/producer	Ginette Taggart Lebarbé	Les Ateliers Taggart	PauP, Haiti
Financial institution	Eric Jabouin, Director	Micro Credit Capital	PauP, Haiti 509.299.6601/6610
Financial institution	Marguerite Graham	Citibank	PauP, Haiti T: 509.299.3200
Financial institution	Pierre-Marie Boisson, Chairman of the Board	SOGESOL	PauP, Haiti T: 509.229.5827/5832 pmboisson@sogebank.com
Importer/distributor	Jean Ringwalt, Owner	Mélange	PO Box 9090 Aspen, CO 81612 T: 970.544.4828 jean@melange-collection.com
Key informant	Hans Garoute, Chairman of the Board	INDEPCO	PauP, Haiti T: 509.513.2120 C: 509.558.0670 garouteh@yahoo.com
Key informant	Jean-Pierre Mangones	formerly with ATA	PauP, Haiti T: 509. 257.3518 C: 509.556.8110/
Key Informant	Patrick Boucard, George Metellus	FOSAJ	Jacmel, Haiti
Key informant/ NGO Agent	Anne Pressoir	Aid to Artisans	
Key informant/ NGO Agent	Alexis Gardella, Director	Aid to Artisans	
Metal Artisan	Serge Jolimeau		Croix des Bouquets, Haiti C : 509.419.9073
Metal Artisan	Serge Jolimeau		Croix de Bouquets C: 509.419.9073
Production Contractor	Exuvier Jolimeau		Croix de Bouquets
Raw material retailer/wholesaler	Bernard Vante	Benco Hardware	PauP, Haiti
Raw Material Supplier	Romeo Barrella, Director of Sales	Aciérie d'Haïti	PauP, Haiti

			T: 509.299.1400 rbarrella@gbgroup.net T : 509.229.1477
Raw Material Supplier	Jean-Marc Glaudon, Marketing Director	Aciérie d'Haïti	PauP, Haiti T: 509.299.1400 JJmglaudon@gbgroup.net T : 509.229.1475
Raw Material Supplier	Kettly Mellon, Marketing Director	Industries Acra (Inmetal)	PauP, Haiti T : 509.246.0085 C : 509.558.4260 ketlym@acraindustries.com
Raw Material Supplier	Danielle Nargron Sales Manager	Industries Acra (Inmetal)	PauP, Haiti T : 509.246.0085
Raw Material Supplier	Carl Nicolas, DG	Capital Partners Cartons	PauP, Haiti T : 509.250.4750/4440
Sea Freight Transporter	Philippe Bernadotte, Director of Operations	MSC Haiti	PauP, Haiti T: 509.223.8211 ops@msc-haiti.com
Sea Freight Transporter	Jesus Dominguez, VP of Operations	Antillean d'Haïti	PauP, Haiti T: 509.260.4487/4501 antilleanhaiti@antillean.com
Sea Freight Transporter	Franck Loubat, Sales Representative	Antillean d'Haïti	PauP, Haiti T: 509.260.4487/4501 C : 509.554.0440 antilleanhaiti@antillean.com

ANNEX 4: CONSTRAINTS & OPPORTUNITY MATRIX

The following are a complete list of value chain constraints noted through the course of interviews with market actors of the value chain. Below the list is a matrix that presents the constraints as to how they were perceived by the researches to affect the:

1. Competitiveness and growth of the value chain
2. Income generation and skills upgrading opportunities of MSEs and employees of firms in the value chain

Each constraint was plotted as having either a low, medium or high effect.

List of Constraints

No.	Constraint or Opportunity	Actors Affected
1	Lack of access to product design services and market information for new product development	All
2	Lack capacity to identify and link with buyers in all segments	All
3	Lack of access to regular and affordable raw materials	All
4	Lack access to productivity enhancing techniques & equipment	craft factories
5	Lack access to production financing	craft factories
6	Imports are subject to excessive customs delays and risks of theft	craft factories
7	Lack of secure political environment	All
8	Poor infrastructure: electricity, communications, roads	All
9	Lack capacity to promote/market products	craft workshops
10	Lack access to sufficiently large workshop space	craft workshops
11	Lack access to financing for non-production costs	craft workshops
12	Opportunity for intermediary agent services	All
13	Opportunity for designer/producers to provide design services to craft factories and workshops	All

Matrix of Affect of Constraints

On competitiveness and growth of the value chain

High			**1, 2, 3, 5, 12, 13**
Medium	**6**	**4, 8, 9,**	**7**
Low		**10**	**11**
	Low	Medium	High

On income generation and skills upgrading opportunities of MSEs and employees

ANNEX 5: STAKEHOLDER WORKSHOP PARTICIPANTS

Participant	Company	Telephone
Erica Boulos	ACE Baskets (ACE Iron Craft & Sunny Creations)	454.0805 (Johnny Boulos) 562.2733
Ray Morailles,	COHART S.A.	556.6360
Marie Louise Gardere	Cerabwa Mosaics Art Work	443.0839/727.1854
Hansie Duvivier	Idées Lumineuses Caribbean Crafts	257.4050
Reginald Duvivier	Idées Lumineuses Caribbean Crafts	257.4050/221.3492
Cassandre Mehu	Raco Deco	461.8870/419.6495
Caroline Charles	FolKlor	456.3155/556.7595
Julio Balan	Nouveau Shop	558.4086
Jean Rony Jacques	Le Palmier Shop	476.1796/719.2981
Lukner Mirvil	Le Croyance Shop	403.1054/412.3728
Bruno Jean Wilbert	Paradis Tropical Shop	405.2531
Marcelus	Atelier et Shop	563.0558/253.1721

Accelerated Microenterprise Advancement Project (AMAP) is a four-year contracting facility that USAID/Washington and Missions can use to acquire technical services to design, implement, or evaluate microenterprise development, which is an important tool for economic growth and poverty alleviation.

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Accelerated Microenterprise Advancement Project
Contract Number: GEG-I-00-02-00016-00
Task Order: Knowledge and Practice
Contractor: **ACDI/VOCA**
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