



## **Buying local opens business in Kabul**

by Chris Thatcher

With all the money pouring into United Nations' missions, it's eye-opening just how little reaches the people directly affected by conflict. In places like Haiti, Somalia and Sierra Leone, multi-million dollar missions might help restore a semblance of stability but few of those dollars trickle down into the local economy.

That lesson was driven home to Scott Gilmore during the United Nations Transitional Administration in East Timor.

Gilmore, a Canadian diplomat serving as the UN's deputy national security advisor, and a group of colleagues working in and with various agencies realized that the budget for the Department of Peacekeeping Operations (DPKO) was larger than the East Timor gross domestic product.

"In fact, when you counted all the different UN agencies and embassies, several times the GDP was being spent on the country but very little was being spent in the country," Gilmore recalls. "We had millions of dollars flowing in but there was 60% unemployment in Dili and much higher in the outlying regions.

"It struck us that this was a massive lost opportunity. The UN would buy its desk in Singapore and fly them in – expensive desks on even more expensive flights – when there was a company able to make desks."

When Gilmore, then serving as Canada's deputy director for South Asia, and many of those same colleagues arrived in Afghanistan a few years later, they observed a similar pattern in Kabul and decided to do something about it.

In 2003, Gilmore and two partners founded Peace Dividend Trust (PDT), a non-profit intent on making humanitarian missions more effective and efficient. With support from the UN and the British and Australian governments, they conducted a survey of the 10 largest peacekeeping missions to measure what was being spent on the local economy. To their surprise, the average varied from two to ten percent of the gross operating budget.

“It’s a shocking number, but right off the bat 60% of the budget goes to troops,” Gilmore notes. “And then there are things like body armour, SUVs, which cannot be sourced in places like Liberia or Darfur or East Timor. Nonetheless, the UN was buying locally a fraction of what was available.”

With encouragement from the UN, particularly Canadian Nigel Fisher, then the deputy head of the Afghan mission, they launched a small \$300,000 CIDA-funded pilot project to determine what the international community was buying and shipping from places like Dubai. Armed with their shopping list, they returned to the Afghan marketplace to see what was available locally.

“The observers said this was never going to work, that the Afghans did not have the products or the quality, so we set for ourselves a fairly lofty goal of \$5 million of spending to Afghan businesses a year. In the last nine months, we’ve done over \$45 million.”

In terms of dollars directed into the local economy, the project makes PDT the fifth largest donor.

Their process is remarkably simple. When they discovered the US army was spending \$30 million a year on importing bottled water from Dubai, they arranged a meeting with three Afghan companies and now the US contracts locally. At the upscale Serena Hotel in Kabul, they introduced farmers from the Kandahar region to the hotel’s staff. “Today, the people eating at that hotel are now eating Afghan produce,” Gilmore says.

Now called the Peace Dividend Marketplace, the project is administered by PDT and co-located with the Afghanistan International Chamber of Commerce. In addition to match-making, the project also translates and distributes agency and embassy tenders – many were previously advertised in English on a website

that required a \$500 per-year subscription – and trains Afghans in the fine art of government procurement.

“We help the Afghan companies understand the bidding process: simple things like you don’t hit them with your highest number and expect them to haggle. The international tendering process is fairly strict and regimented.”

PDT has also created an online business directory of over 2500 Afghan companies able to provide goods and services.

“Organizations follow the path of least resistance when it comes to buying something,” Gilmore notes. “If it’s easier to pick up the phone and call somebody in Toronto to FedEx 100 tires, that’s what they’ll do.”

Gilmore is the first to admit that procurement lacks the appeal of landmine reduction or women’s rights. “But \$45 million means thousands of jobs and these are sometimes people who would have been planting IEDs that now have a vested interest in the ongoing international presence,” he emphasizes. “It’s a strategy that makes sense on so many different levels that it’s been adopted by the US army in something they call an ‘Afghan First’ policy. The US Special Forces use it in their remote fire bases because they recognize if they spend a few hundred dollars a week buying vegetables from local farmers, they’re not going to be as hostile to our presence and they’ll have a vested interest in our safety and security, and they may provide human intelligence.”

In addition, Provincial Reconstruction Teams, considered by many to be the vanguard of 3D efforts in Afghanistan, are now pursuing as much local procurement as possible.

Why has something so logical not been attempted before? Strange as it may seem after 61 peacekeeping missions over the past 60 years, there is no established formula for conducting a operation.

“Every time the UN launched a mission, it was from scratch,” Gilmore says. “It’s still a fairly new industry. A lot of the standard business practices that Coca Cola figured out in the ‘40s and ‘50s haven’t drifted into this world yet, whether its procurement and supply chain management or hiring policies. There’s been such an

emphasis on the sharp, pointy end of peacekeeping, the blue helmets, but not on the train behind the operation that supports it.“

To that end, Peace Dividend Trust has been working with the UN to develop a mission start-up manual, for the first time documenting how missions have been conducted in the past in order to provide new managers with the best practices to lead one in the future.