

American Council of Engineering Companies
Business Roundtable
Coalition for Employment Through Exports
Computing Technology Industry Association
Emergency Committee for American Trade
International Association of Drilling Contractors
National Association of Manufacturers
National Electrical Manufacturers Association
National Foreign Trade Council
U.S. Chamber of Commerce
U.S. Council for International Business

May 25, 2005

Mr. Paul D. Wolfowitz
President-Elect
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433

Dear Mr. Wolfowitz:

Congratulations on your recent appointment. We look forward to working with you in support of the World Bank and its important mission of alleviating poverty and promoting economic development in developing countries.

We are writing today to urge your attention to a pending World Bank proposal entitled “Increasing the Use of Country Systems in Procurement.” We have concerns about the proposal and urge that it receive much closer scrutiny and examination in terms of its implications for fair, efficient, transparent and non-corrupt procurement regimes in the developing world.

We support promoting effective procurement systems in the developing world, and taking appropriate steps to increase public sector capacity; however, the pending proposal will not, in our view, achieve these objectives. Based on our initial assessment of the proposal, we have the following major concerns:

1. It is a counterproductive reversal of a positive major effort at the Bank to standardize and harmonize procurement procedures among the various multilateral development banks (MDBs). The American business community supports the recent harmonization effort among the MDBs as critical to ensuring the procurement process is more accountable, transparent and understandable. With input from key stakeholders, the World Bank has led the efforts to create an international standard for procurement, including guidelines and standard bidding documents for use by borrowing countries. Moreover, the Inter-American Development Bank has also agreed to adopt the standards of the World Bank.

The World Bank is now proposing to take an opposite course – namely that, under unenforceable criteria with no meaningful central oversight or effective dispute settlement mechanism, recipients of World Bank loans may use their own procurement regimes. This could set back World Bank leadership on the important issue of sound and fair public sector procurement, and could reverse the progress made in international standardization by creating a plethora of different systems and rules. The proposal as

drafted could lead to more complicated and costly government procurement procedures, less certainty in the business environment, and fewer contestable and competitive procurement opportunities, especially for small and medium-sized businesses.

2. It will lead to less transparency, runs counter to the anti-corruption initiatives of the World Bank and will increase costs and decrease competition. The Bank's historical strong oversight of its procurement process and its recent effort to standardize its Procurement Guidelines across the regional development banks have been well-received by the U.S. business community. Standardized and transparent public sector procurement systems facilitate equal access to project information and bidding opportunities among all countries, which in turn increases viable competition and decreases opportunities for corruption. The proposal would undermine these efforts and make less effective other important anti-corruption initiatives.

Moving to a decentralized procurement process involving different country procurement rules opens the way to creating a confusing and non-transparent environment. Today, major companies from around the world take some comfort in doing business under World Bank-funded contracts knowing that the World Bank seeks to utilize standard procurement processes with standard bidding documents. The World Bank should strengthen its central procurement functions, not dilute them, by increasing World Bank staff involvement in the procurement process and further improving World Bank processes. Where World Bank funds are being used, it is incumbent on the Bank to be able to stop bad procurement when it occurs.

The proposal under discussion will eliminate the safety net and leave procurement with disparate country-by-country processes. As a result, many global companies may step back from contracting in these countries for business practices reasons.

3. It abdicates the World Bank's effective and leading role in capacity building. The proposal as drafted would lead to less capacity building, not more. A sounder approach to capacity building would be to continue promoting best practices and model agreements on procurement through the Bank's recent MDB harmonization efforts and through ongoing other efforts such as enhancing existing training programs for local agencies and other ongoing "hands on" outreach on best practices.

We also believe the pending proposal runs contrary to cooperation with the WTO to promote good governance and fair procurement. The World Bank should achieve greater coherence with other multilateral institutions such as the WTO to help achieve greater transparency in procurement procedures and encourage membership in multilateral agreements such as the WTO Government Procurement Agreement. A combination of efforts between the Bank and the WTO can provide the two-step transactional and policy approach needed to combat corruption. A major objective should be to mainstream sound, transparent and equitable procurement regimes as a core component of development.

The subjects of corruption, anti-bribery and transparency have found their way into the daylight discussions within development only over the past several years. Talking about clean and fair procurement in borrowing countries simply does not make it so. The proposal abrogates the World Bank's responsibility to continue to set high and appropriate standards for procurement and ensure effective oversight of the procurement process.

For all of these reasons, we urge that you suspend adoption of the proposal and engage in meaningful consultations with business stakeholders, who are on the front line of investing in emerging markets worldwide, on the range of concerns regarding the pending proposal.

Thank you for your consideration of our views. We would welcome the opportunity to talk with you in person about our concerns.

Sincerely,




William A. Reinsch
President
National Foreign Trade Council



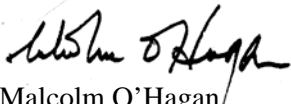
Peter Robinson
President
U.S. Council for International Business




Edmund Rice
President
Coalition for Employment Through Exports



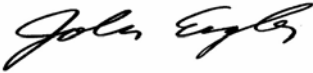
John Vantor
President & CEO
Computing Technology Industry Association



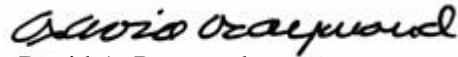
Malcolm O'Hagan
President
National Electrical Manufacturers Ass'n



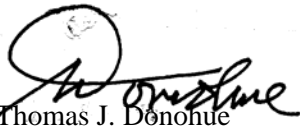
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cc: The Honorable John Snow, Secretary of the U.S. Treasury
The Honorable Condoleezza Rice, Secretary of State
The Honorable Carlos M. Gutierrez, Secretary of Commerce
Mr. Robert Holland, Acting U.S. Executive Director, World Bank Group
Mr. Shengman Zhang, Managing Director, World Bank Group
Mr. James W. Adams, Vice President, Operational Policy and Country Services, World Bank Group
Mr. Armando Araujo, Director, Procurement Policy, World Bank Group