

**Coalition for Employment through Exports
Emergency Committee for American Trade
International Association of Drilling Contractors
National Association of Manufacturers
National Foreign Trade Council
U.S. Chamber of Commerce
United States Council for International Business**

June 5, 2007

Mr. Juan Jose Daboub
Managing Director
World Bank Group
1818 H Street, N.W.
Washington DC 20433

Dear Mr. Daboub:

We are writing to express our strong concerns about the World Bank's Status Report, "Use of Country Systems in Bank Supported Operations" dated May 8, 2007, which was submitted for consideration by the Bank's Executive Directors on 7 June 2007. While we have substantive questions and concerns about the report, we are also very concerned about the non-transparent process by which the paper has been put forward without any opportunity for review or input from private sector stakeholders despite our previous consultations on the issue.

As you may recall, the private sector provided detailed comments on the initial March 2005 pilot proposal to use local country systems as a substitute for World Bank's procurement guidelines, standard bidding documents, and long history of international best practice. The March 2005 proposal included using country systems for both national competitive bidding and international competitive bidding, the latter having been strongly opposed at the time by our members, as well as many European and other international firms and associations.

Before the May 2007 report is considered by the Executive Directors, we urge you to convene a meeting with the private sector as a constructive follow up to your pledge last fall that the private sector would have ample time to review any subsequent issuance of such a proposal before presentation to the Board. Parties from the private sector also received a personal pledge from Bank Vice President James Adams in the spring of 2007 that further private sector input would be solicited before moving forward with the use of country systems in procurement. We further urge you to post this Status Report on the Web and provide a meaningful comment period in recognition of the extensive European and other comments received on the March 2005 paper.

Major Concerns

This new Status Report follows by two years the March 2005 proposal to use country systems in procurement. As you know, that proposal was subsequently withdrawn by the Bank without any action by the Board after extensive concerns were voiced by the private sector from around the world regarding weak methodology and inadequate adoption of international best practice procurement standards into these systems. We believe that the May 8, 2007 paper reflects little

effort to address these concerns and further, adopts certain assessment tools designed around lower standards than called for in the March 2005 paper. Thus, there are serious issues about the ability of this approach to have a positive impact in fostering the establishment of accountable and transparent procurement regimes in the developing world, with attendant adverse consequences for sustainable economic development, improved governance, and effective anti-corruption mechanisms.

With respect to the Status Report our concerns include the following, among others:

- The Status Report contains no concrete details about a methodology that would be used to assess and implement country systems. This contrasts sharply with the March 2005 paper which provided a detailed set of indicators for review and comment. It is impossible to analyze a proposal on procurement based around simple declarations that World Bank standards will not be diminished without offering substantive methodology from which to review the proposed system against the Bank's international best practice procurement guidelines and standard bidding documents.
- The May 2007 paper maintains that country systems will achieve "equivalence" with the Bank's standards. Yet the paper ignores the many specifics laid out in the earlier paper that were the subject of numerous letters and meetings with the private sector, e.g., inadequate advertising, no requirement for public bid openings, lack of international arbitration, inadequate and ineffective bid protest mechanisms, and a host of other essential elements of international best practice. Instead of addressing the shortcoming of the earlier approach, the May 2007 paper replaces details with assertions of "equivalence".
- The May 2007 report incorporates use of an OECD-Development Assistance Committee (OECD-DAC) procurement benchmarking tool. ("Methodology of Assessment of National Procurement Systems", Version 4, dated July 17, 2006.) The OECD-DAC tool was built around the indicators in the March 2005 proposal; however, by the Bank's own admission, the July 2006 OECD-DAC tool represents a watered-down version of the Bank's March 2005 proposal, earlier withdrawn for its inadequacy. In addition, the OECD-DAC tool introduces a scoring methodology that is open to subjective and discretionary judgments. We believe use of this tool poses a very real threat to the fiduciary obligations of the Bank to its shareholders, and contradicts the Bank's assertion that country systems will only be used where there is "equivalence" with international best procurement practices.

Disaggregate for Consideration on Merits

We believe that the procurement discussion should be addressed as a stand-alone subject. In its current form, the proposal is bundled into a confusing "Status Report" which includes environmental safeguards and financial management, each of which has different standards and is at different stages of implementation. Further, it should be kept in mind that while the other two country systems regulate the Borrowers obligations vis-à-vis the Bank in terms of environmental and financial reporting and performance, the procurement rules are a "different animal." The procurement rules and practices shape the setting for competition between private sector entities and contribute to a transparent system that encourages private investment.

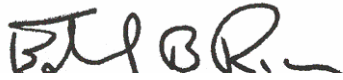
This bundled approach dilutes the focus on the very key issues related to procurement and further lacks the necessary detail to make informed conclusions about methodology and approach.

Public Posting on the Bank's Website

Before the adoption of policies and standards that will dramatically change the Bank's procurement regime, we believe that the Bank and its shareholders would benefit greatly from widespread comment from its key stakeholders in the private sector and NGO's. This could be achieved by posting a revised paper on the Internet. At a time when the Bank is calling for transparency and good governance from its member countries, it is essential that the Bank avail itself of every opportunity in its operations to display transparency and good governance by requesting comments from the private sector in an open forum.

The private sector can make a positive contribution to the Bank and provide valuable input on international best practice procurement standards. We look forward to meeting with you in a timely manner so that our views may be incorporated for consideration by the Bank's Executive Directors.

Sincerely,



Edmund B. Rice
President
Coalition for Employment through Exports



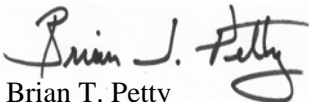
William A. Reinsch
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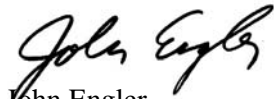
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President and CEO
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cc: Graheme P. Wheeler, Managing Director
Jeffrey S. Guttman, OPCS Vice President
Mr. E. Whitney Debevoise, U.S. Executive Director