

GAO

Report to the Ranking Minority Member,  
Committee on Small Business, U.S.  
Senate

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September 1995

# MULTILATERAL DEVELOPMENT BANKS

## U.S. Firms' Market Share and Federal Efforts to Help U.S. Firms







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General Government Division

B-260188

September 28, 1995

The Honorable Dale Bumpers  
Ranking Minority Member  
Committee on Small Business  
United States Senate

Dear Senator Bumpers:

According to the U.S. Departments of the Treasury and of Commerce, multilateral development banks (MDB), such as the World Bank and others, provide approximately \$45 billion annually in loan commitments that generate business opportunities for U.S. firms. The MDB procurement process is designed to provide fair and equal opportunity for prospective bidders, taking into consideration economy and efficiency. Yet some U.S. businesses have been concerned about how the process is implemented and what the U.S. government is doing to promote U.S. exports through MDB-funded procurements. Congress passed legislation in 1988<sup>1</sup> and 1992<sup>2</sup> that mandated that the Treasury and Commerce Departments assign a high priority to promoting the export of goods and services through MDB activities.

In light of the possible business opportunities for U.S. companies at MDBs, you were interested in knowing how well U.S. firms are doing in competing for MDB business and how the U.S. government helps firms compete. Specifically, you asked us to (1) identify and compare the MDB market share held by U.S. firms and their major competitors, (2) describe any obstacles U.S. businesses may face in competing for MDB projects and the services the U.S. government provides to help U.S. businesses overcome the obstacles, and (3) describe the Treasury's efforts to help ensure fair and open procurement processes for projects that MDBs finance.

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## Background

MDBs are autonomous international institutions that partially finance development projects in developing countries using money borrowed in world capital markets or contributed by governments of more developed countries. Government agencies of the borrowing countries (i.e., "executing agencies") are responsible for implementing the projects, including procuring goods and services. In accordance with MDB guidelines, MDBs are responsible for supervising how the executing

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<sup>1</sup>The Omnibus Trade and Competitiveness Act of 1988 (Public Law 100-418, Aug. 23, 1988).

<sup>2</sup>The Jobs Through Exports Act of 1992 (Public Law 102-549, Oct. 28, 1992).

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agencies administer the procurement process. (See app. I for information about the MDB project development and procurement process.) These guidelines are generally incorporated in the loan agreement between the executing agencies and MDBs and emphasize the need for (1) considering economy and efficiency in project implementation and (2) providing all eligible bidders from MDB member countries with opportunities to compete for contracts.<sup>3</sup> The guidelines also allow for the use of local preferences<sup>4</sup> when comparing bids, to help develop domestic contractors and manufacturing industries in the borrowing country. MDBs lend roughly \$45 billion<sup>5</sup> annually for projects that provide business opportunities and an entry into developing markets for U.S. firms.

The United States is a member of five MDBs—the Asian Development Bank (ADB), the African Development Bank (AfDB),<sup>6</sup> the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IDB), and the World Bank. (The World Bank refers to the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The “World Bank Group” refers to IBRD, IDA, and two affiliates: the International Finance Corporation and the Multilateral Investment Guarantee Agency.) The World Bank is the oldest and largest MDB and draws its membership from developing and industrialized countries around the world.<sup>7</sup> Membership in the regional MDBs generally consists of developing or borrowing countries in a particular region and some industrialized countries. Members contribute funds and set operating policies for these institutions.

The Treasury and Commerce Departments share the major responsibility for promoting U.S. commercial interests in MDBs. Through membership on MDB boards of executive directors, the Treasury is responsible for managing U.S. participation in MDBs and promoting U.S. exports by helping to ensure that MDB procurement guidelines are fair and implemented properly. Commerce has a statutory role in promoting U.S. business interests in MDBs as well. The Omnibus Trade and Competitiveness Act of

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<sup>3</sup>The European Bank for Reconstruction and Development does not restrict eligibility to bid for contract opportunities to its membership.

<sup>4</sup>MDBs do not require, but, under specific circumstances, may allow, borrowers to give preferences in bid evaluation to suppliers of goods and construction services and for goods manufactured in the borrowing country or in developing countries in the same region. EBRD guidelines do not allow for local preferences.

<sup>5</sup>This amount generally represents about 40 percent of total project costs and does not include funds generated from the borrowing countries and other sources.

<sup>6</sup>AfDB was not included in this review because of the unavailability of procurement data.

<sup>7</sup>IBRD was established in 1945; IDB in 1959; ADB in 1966; and EBRD in 1991. The World Bank Group accounted for about 65 percent of the MDBs' total lending in 1994.

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1988 (1988 Trade Act) requires the Secretary of Commerce to staff a part-time or full-time procurement officer at each MDB and inform U.S. firms about MDB business opportunities.<sup>8</sup> The Jobs Through Exports Act of 1992 increased the staffing requirement by directing the Secretary of Commerce to assign at least one additional full-time procurement officer to each MDB.<sup>9</sup>

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## Results in Brief

U.S. firms were the largest single source of goods and services for MDB-financed projects<sup>10</sup> from 1989 to 1994, compared with their major industrialized competitors—France, Germany, Japan, and the United Kingdom (U.K.). MDB data, however, do not allow a precise determination of the U.S. share of MDB procurements because of the limitations of the data MDBs report. For example, identification of the U.S. market share within a specific MDB may refer merely to the address to which payments are made and does not always indicate the origin of goods. In addition, some MDBs report procurement data based on disbursements (i.e., payment to contractors), while others publish data based on contract awards (i.e., the value of the contract at the time it is awarded). Notwithstanding these limitations, the Treasury uses MDB publicly available annual report data as an indicator of U.S. performance.

MDB procurement data show that from 1989 to 1994, U.S. firms had the largest share of disbursements at the World Bank, with an average of about 8 percent or about \$1.35 billion annually, and at IDB, with an average of 20 percent or about \$500 million annually. In comparison with procurements from firms of other industrialized countries, U.S. firms received the second largest share at ADB, behind Japanese firms, and the third largest share at EBRD, behind German and Italian firms. These MDB market shares are largely consistent with overall U.S. exports to developing countries around the world.<sup>11</sup> (See app. IV for more information.) The components of the U.S. market share also varied by procurement categories. For example, at the World Bank, which represented the largest amount of total MDB procurements from 1989 to 1994, the United States was the largest supplier of goods, equipment, and consulting contracts for foreign disbursements,<sup>12</sup> but was not the largest

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<sup>8</sup>See section 2302 of the act, Public Law 100-418, Aug. 23, 1988 (22 U.S.C. 262s-2).

<sup>9</sup>Section 501 of Public Law 102-549, Oct. 28, 1992 (22 U.S.C. 262s-2 note).

<sup>10</sup>Our analysis of MDB contract award and disbursement data is only for public sector projects that MDBs financed.

<sup>11</sup>Based on developing member countries of the World Bank.

<sup>12</sup>Foreign disbursements represent payments to addresses outside of the borrowing country.

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supplier for civil works (i.e., construction). Borrowing member countries have received about half of the MDB procurements. Their future share of the MDB market, as well as other factors, such as the type of projects MDBS will finance in upcoming years, may ultimately affect U.S. firms' future share of the MDB market.

U.S. government and business officials we interviewed told us that some U.S. firms wishing to compete for MDB projects face certain obstacles, including the lack of timely and specific information and the cost of marketing their products to executing agencies in the borrowing countries. While Commerce has relied on anecdotal feedback to determine the needs of U.S. firms, its services appear to be consistent with the information businesses said they needed to assist them in competing for MDB projects. In conformance with the requirements in the 1988 Trade Act, Commerce has placed full-time procurement officers (referred to as "commercial liaison officers") at each of the banks, has disseminated information about MDB projects, and has provided outreach seminars to inform businesses of MDB opportunities and the process for bidding on contracts. The extent to which Commerce's services affect the bidding rate of U.S. firms in the MDB market is unclear because Commerce has not formally evaluated its MDB services. Other U.S. government agencies, such as the U.S. Trade and Development Agency (TDA), also assist U.S. businesses. For example, TDA provides funds to MDBS for feasibility and design studies that may lead to U.S. exports.

The Treasury has played an important role in encouraging MDBS to promote fairer and more open competition by strengthening their procurement processes for MDB-funded projects. Many of Treasury's efforts have been aimed at improving bank supervision of executing agencies' compliance with MDB procurement guidelines. For example, the Treasury supported increases in procurement training for staff at these banks and executing agencies. With better-trained staff, Treasury officials believe MDBS should be better able to monitor the procurement process and to provide greater assurance that executing agencies have the institutional expertise to implement procurement guidelines. The Treasury has also worked with some MDBS to promote the use of standard bidding documents and the wider dissemination of bidding opportunities.

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## Scope and Methodology

To identify and compare the U.S. market share with that of other industrialized countries that are major competitors for MDB contracts, we analyzed contract award and disbursement data in MDB annual reports and

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other documents for 1989 to 1994, the most recent time frame for which data were available for MDBs we reviewed. We obtained data from ADB, EBRD, IDB, and the World Bank.<sup>13</sup> Because we do not have audit authority over MDBs, we did not verify the statistics, but we discussed the data with MDB and Treasury officials to ensure that the data were suitable for our analysis. The Treasury recommended that we use publicly available information in the MDBs' annual reports.<sup>14</sup> Our review focused on the major industrialized competitors of U.S. firms based on their market share of the world's total merchandise exports as reflected in United Nations (U.N.) trade statistics. U.S. firms' major industrialized competitors are firms from France, Germany, Japan, and the U.K. Data on U.S. and its major competitors' market share are presented in nominal U.S. dollars because the focus of our analysis was on each country's market share between 1989 and 1994 and not on the changes in the amount of contract awards or disbursements during this time period.

To gain a broader perspective on MDB market shares for U.S. firms and their major industrialized competitors, we compared their relative rankings in MDBs to their rankings based on U.N. export data. Comparisons to U.N. data were for exports from 1989 to 1993 to developing countries that were members of the World Bank. We also did this comparison for each of the regional banks. (As of June 1995, general export data for 1994 were not available.) These two data sets may contain different mixtures of goods and services, however, a factor that would affect the extent to which the market shares would correspond. For example, U.N. data for U.S. exports to one country may be largely agricultural, but the goods and services exported to the same country for MDB contracts may be industrial.

Our analysis of MDB contract award and disbursement data relates only to public sector projects that MDBs financed. We did not include MDB private sector operations because cumulative private sector lending constituted less than 5 percent of public sector loans in most MDBs<sup>15</sup> since inception and complete data on U.S. competitors' participation in private sector projects were not available.

To describe any obstacles U.S. firms may face when competing for MDB projects and the services that the U.S. government provides for them, we

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<sup>13</sup>Data for the World Bank are for IBRD and IDA.

<sup>14</sup>As of September 1994, EBRD did not publish procurement data in its annual reports. We obtained cumulative procurement data for 1991-94 from the U.S. Executive Directors Office at EBRD.

<sup>15</sup>The EBRD's Articles of Agreement require that it direct at least 60 percent of its funding to private sector activities or to state-owned enterprises implementing a program to achieve private ownership and control. The balance, or not more than 40 percent, is to be dedicated to public sector operations.

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interviewed officials from the Treasury and Commerce, TDA, the Agency for International Development (AID), the Small Business Administration, and the U.S. Export-Import Bank. We also interviewed officials of U.S. trade associations located in the United States, such as the American Consulting Engineers Council, the National Association of Manufacturers, and the Construction Industry Manufacturers Association, to gain an understanding of U.S. businesses' needs. Overseas, we interviewed officials from the American Chamber of Commerce of the Philippines. Some of the member firms of these associations have provided goods and services for MDB-financed projects and have testified before Congress on MDB issues.

To gain greater insight into the obstacles U.S. firms face, we spoke to U.S. business officials in the United States and overseas who represented nine firms of various sizes that have participated in outreach seminars sponsored by MDBs and Commerce or who have shown interest in pursuing MDB contracts. We selected these firms based on their size and industry category because these factors may influence the extent to which obstacles have an impact on firms. Furthermore, we obtained information from Treasury and Commerce documents that described Commerce's procurement officers' efforts and Treasury's U.S. MDB executive directors' efforts to promote U.S. exports at MDBs, as required in the 1988 Trade Act and the 1992 Jobs Through Exports Act.

To describe Treasury's efforts to help ensure fair and open MDB procurement processes, we obtained and analyzed information on MDB procurement guidelines and proposed revisions, Treasury's review of MDB procurement policies, and MDBs' internal management studies that highlighted procurement concerns. Additionally, we interviewed MDB and Treasury officials to discuss MDB procurement procedures and the status of procurement reforms.

We conducted our work at the Treasury, Commerce, IDB, and the World Bank in Washington, D.C.; EBRD in London, England; and ADB in Manila, the Philippines. We did our work from January 1994 to June 1995 in accordance with generally accepted government auditing standards.

We requested comments on a draft of this report from the Secretaries of the Departments of Commerce and of the Treasury or their designees. Their oral comments are discussed on pages 23 and 24.



## Data Show That U.S. Firms Have Won Contracts Financed by MDBs

Although determining the U.S. market share at MDBs is complicated by factors peculiar to MDBs and other factors involving international trade,<sup>16</sup> the data show that U.S. firms had the largest share of disbursements at two of the four MDBs we studied—the World Bank and IDB. Borrowing member countries have received about half of MDB procurements. Their future share of the MDB market, as well as other factors, such as the type of projects MDBs will finance in upcoming years, may ultimately affect U.S. firms' future share of the MDB market.

## Data Limitations

Determining the U.S. market share of MDB procurements is difficult for several reasons. First, MDB procurement data may be based on the address to which payments are made and may not always indicate the origin of the goods. Second, the level of detail in which MDBs report data did not allow us to identify the procurements from subcontractors, subsidiaries of multinational firms, or joint ventures, so the market share for the United States and other countries may be understated or overstated. Third, MDBs publish data differently in their annual reports, which makes comparing the U.S. market share to that of its major competitors across the banks difficult. For example, the World Bank and IDB report their data based on disbursements, while ADB and EBRD report their data based on the contracts awarded. In addition, MDBs operate within the framework of global trade, the nature of which makes it difficult to identify goods from particular countries because they may contain inputs from several countries. Without detailed and uniform data, it is difficult to obtain an exact measure of the U.S. MDB market share. Taking into account these data limitations, the Treasury uses MDB data as an indicator of U.S. performance. Treasury officials told us that using MDB data from annual reports is generally adequate for measuring the U.S. firms' market share for MDB-financed projects. According to Treasury officials, the Treasury has been working with MDBs to improve the consistency and the presentation of the data. (See app. II for a detailed description of MDB data limitations.)

## U.S. Firms' Share of MDB Procurement Varied by Bank

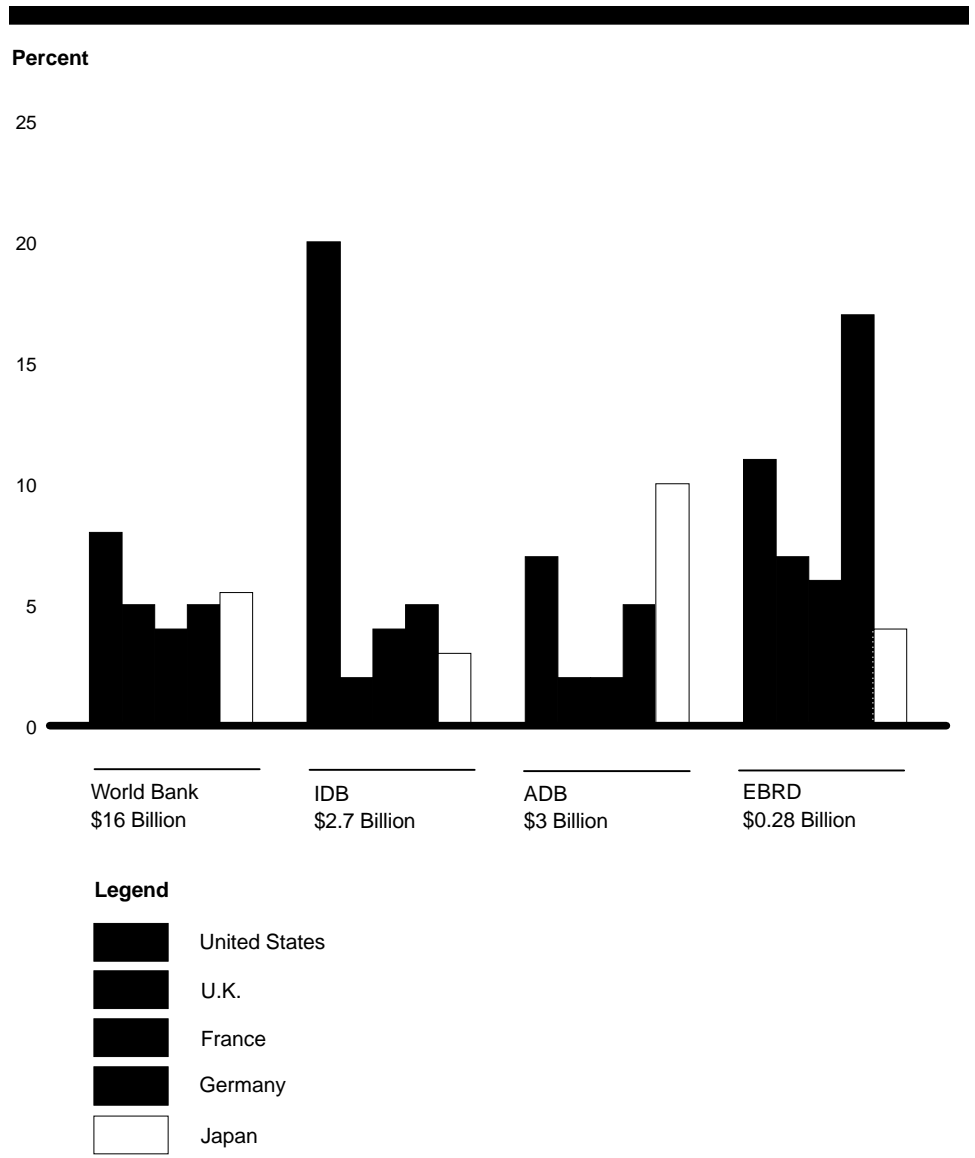
As shown in figure 1, the market share of U.S. firms relative to other industrialized countries varied by MDB. From 1989 to 1994, U.S. firms received an average market share of 8 percent or \$1.35 billion annually in the World Bank. At IDB, U.S. firms' average market share was 20 percent or about \$500 million annually, compared to firms located in France,

<sup>16</sup>International trade is heavily dominated by multinational corporations whose operations transcend national boundaries and complicate measures of export competitiveness of firms from various countries.

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Germany, Japan, and the U.K., which had an annual average share of less than 5 percent each. By contrast, the market share for U.S. firms in ADB averaged about 7 percent or \$204 million, placing them behind Japanese firms with about 10 percent. With regard to EBRD, since 1991, when EBRD was established, U.S. firms have received about 11 percent of all public sector contracts awarded, behind German firms (17 percent) and Italian firms (15 percent).

**Figure 1: MDB Average Annual Market Share for the United States and Its Major Competitors, 1989-94**



Note 1: EBRD data are cumulative from inception to March 1994.

Note 2: Italian firms had the second largest share with 15 percent, compared to the United States' 11 percent, of EBRD contract awards.

Note 3: Dollars shown under each MDB refer to average annual disbursements or contract awards.

Note 4: U.K. includes Hong Kong.

Source: EBRD contract award data and annual reports (1989-94) from the World Bank, IDB, and ADB.

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These market shares are based on the total amount of MDB contract awards and disbursements from 1989 to 1994, which varied considerably by bank. The World Bank had the largest amount of disbursements, with an annual average of \$16 billion.<sup>17</sup> Annual averages for ADB and IDB were \$3 billion and \$2.7 billion, respectively. As of March 1994, EBRD cumulative public sector contract awards were \$283 million. See appendix III for a table listing dollar amounts of MDB contract awards and disbursements to U.S. firms and firms from the four major industrialized competitors from 1989 to 1994.

The relative ranking of U.S. firms in each MDB appears similar to their ranking in overall exports to World Bank developing countries.<sup>18</sup> Compared to their major competitors, U.S. firms appeared to be as competitive in the MDB market as they were in traditional world exports. For example, the value of U.S. firms' share of World Bank disbursements was 1.5 times greater than the value of disbursements for Japanese firms, which ranked second. Similarly, the value of U.S. firms' overall exports to World Bank developing nations was almost 1.5 times greater than the value of Japanese firms' exports. (See app. IV for further information on U.S. firms' rankings.)

To further explore the U.S. market share of World Bank disbursements, we analyzed the types of goods and services purchased from U.S. firms and their major competitors. Central to this analysis is the classification of goods and services as local or foreign procurements. Goods and services purchased within the borrowing countries where the projects are implemented are classified as "local procurements," while those purchased outside of the borrowing countries are classified as "foreign procurements." Since U.S. and other firms from industrialized countries are included in disbursements for foreign procurements, our analysis of the components of the U.S. share is focused on foreign procurements.

From 1989 through 1994, U.S. firms averaged \$1.35 billion in World Bank disbursements annually. The largest amount was for equipment (\$630 million) and other goods (\$588 million). The balance was for consulting services and civil works. (See table 1.) Compared to their major competitors at the World Bank from 1989 to 1994, U.S. firms were the largest supplier for foreign disbursements by averaging 17 percent of

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<sup>17</sup>For 1989 through 1994, the World Bank had the largest amount of MDB procurements at \$98.6 billion. ADB, IDB, and EBRD had \$18.1 billion, \$16 billion, and \$283 million, respectively.

<sup>18</sup>This analysis is only a rough comparison of the two data sets because we did not weight MDB contract award and disbursement data and U.N. export data based on the actual mix of goods.

goods, 13 percent of equipment, and 18 percent of consulting contracts. In comparison, U.S. firms averaged about 3 percent of foreign disbursements for civil works.

According to a U.S. construction industry association, U.S. construction firms are discouraged from competing for World Bank civil works projects because firms from developing countries may have geographic and labor cost advantages and benefit from MDB domestic preference rules.<sup>19</sup>

**Table 1: Average Annual Disbursements for World Bank Foreign Procurements, by Procurement Category, 1989-94**

Dollars in millions					
Country	Equipment	All other goods	Consulting	Civil works	Total
United States	\$630	\$588	\$116	\$16	<b>\$1,350</b>
U.K. <sup>a</sup>	455	252	104	20	<b>831</b>
France	397	186	90	62	<b>735</b>
Germany	539	230	44	44	<b>857</b>
Japan	703	148	19	34	<b>904</b>
Others <sup>b</sup>	1,947	2,070	265	345	<b>4,627</b>
<b>Total</b>	<b>\$4,671</b>	<b>\$3,474</b>	<b>\$638</b>	<b>\$521</b>	<b>\$9,304</b>

<sup>a</sup>U.K. includes Hong Kong.

<sup>b</sup>"Others" category includes other industrialized and developing countries.

Source: World Bank annual reports, 1989-94.

## Borrowing Member Countries Received a Large and Increasing Share of MDB Procurement

Firms from borrowing countries have received a large percentage of MDB disbursements. From 1989 to 1994, borrowing countries averaged over half of the contract awards and disbursements in ADB, IDB, and the World Bank. Some MDB and U.S. industry officials attribute this phenomenon to several factors: (1) borrowing countries' development and increases in manufacturing capability, (2) multinational firms' operations in borrowing countries, and (3) MDB rules that give preferences to local firms. However, according to a 1991 ADB study, the application of domestic preferences has had a limited impact on the pattern of contract awards. The study stated that at ADB and IDB, preferences have accounted for about 3 percent, and at the World Bank about 11 percent,<sup>20</sup> of the total value of international

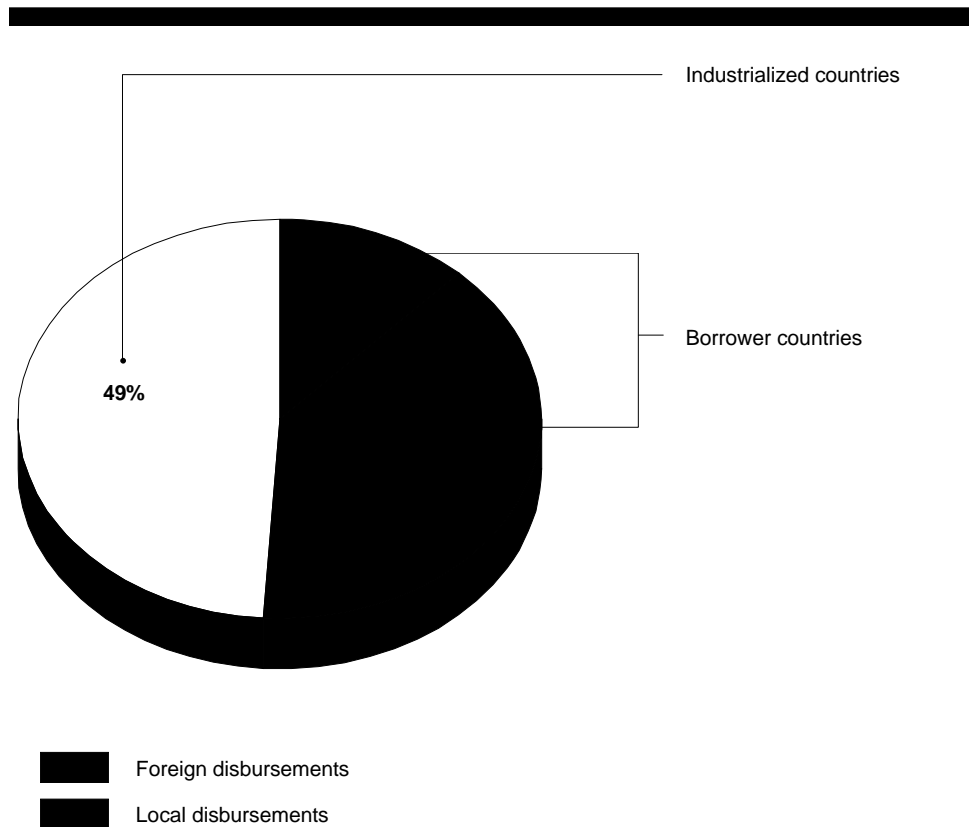
<sup>19</sup>Under specific circumstances, World Bank procurement guidelines allow for the use of local or regional preferences in bid evaluation. The use of the preferences may be granted at the request of the borrower and must be specified in the loan agreement and in the relevant bidding documents.

<sup>20</sup>ADB data used for the study were from 1986 to 1991. IDB data were from 1980 to 1990, and World Bank data were for 1985.

competitive bidding contracts in which the preferences were specified in the bid documents. An ADB official said that most firms in the borrowing country would have won the contracts anyway because of domestic tax structures and low shipping and labor costs.

To illustrate the market share for borrower countries, figure 2 shows the average market share of industrialized and borrower countries at the World Bank for 1989-94. These market shares were a combination of foreign disbursements and local disbursements.

**Figure 2: Average Market Share of Disbursements for Industrialized and Borrower Countries at the World Bank, 1989-94**



Source: World Bank annual reports, 1989-94.

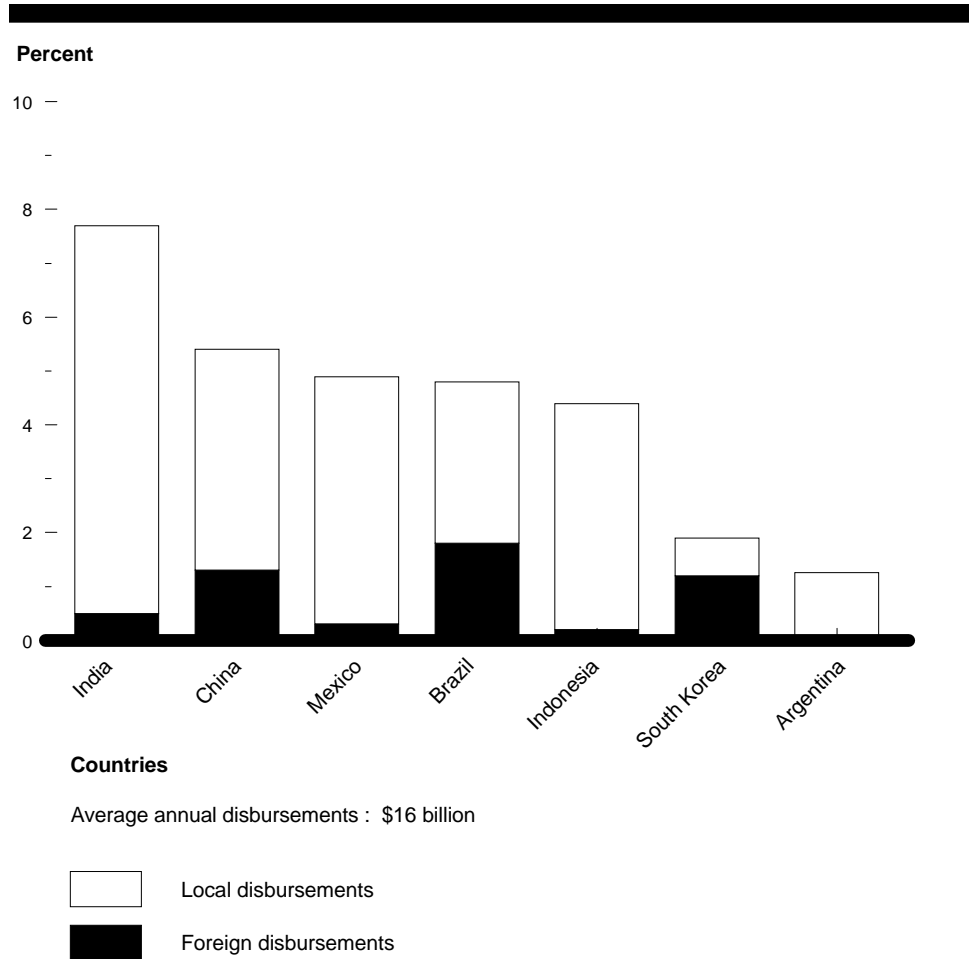
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About half of the World Bank's overall disbursements were to borrower countries in 1989-94, and these disbursements were primarily for local disbursements. Seven of the World Bank's borrower countries—India, China, Mexico, Brazil, Indonesia, South Korea, and Argentina—together received almost one-third of the World Bank's disbursements from 1989 to 1994. Other developing countries received 19 percent of overall disbursements, of which about three-quarters were for local procurements. As shown in figure 3, the major proportion of disbursements to these countries was for MDB projects within their borders.<sup>21</sup> For example, with an average of 7.8 percent annually of total World Bank disbursements from 1989 to 1994, India was the second largest recipient of World Bank disbursements, slightly behind the United States. Yet, India's market share largely consisted of local procurements (7.2 percent), versus less than 1 percent (0.6 percent) for foreign procurements.

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<sup>21</sup>Brazil and South Korea have a comparatively larger proportion of foreign disbursements than the other countries listed in figure 3.

**Figure 3: Borrower Nations' Share of World Bank Average Disbursements, 1989-94**



Source: World Bank annual reports, 1989-94.

A variety of factors may affect U.S. firms' future share of the MDB market, such as the increases in the market share of developing member countries and recent growth in the MDBs' social sector lending. Increases in developing countries' share of the MDB market may reduce the share of the MDB market for U.S. firms and other industrialized countries. While most foreign procurement has come from suppliers in industrialized countries, suppliers from developing countries have increasingly been effective in winning contract awards. In 1989 at the World Bank, the cumulative



percentage of foreign procurement for developing countries was 15 percent. In 1994, developing countries had 32 percent of foreign disbursements. If the developing countries' share continues to increase, the U.S. share of this market may drop. Nevertheless, U.S. government and business officials believe that as these countries develop, they may increase their overall demand for U.S. goods and services.

Another factor that may affect the U.S. market share is the increased emphasis some MDBs are giving to social sector and environmental projects.<sup>22</sup> According to the Treasury, increased lending in these areas may not adversely affect the U.S. market share because U.S. firms are leaders in these areas. Furthermore, our review of MDB lending documents showed that although MDBs have increased their lending for social sector activities, they have not decreased their lending for some infrastructure projects, such as energy and transportation—areas in which U.S. firms have been competitive.

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## Obstacles to Competing for MDB Contracts Exist, but the U.S. Government Provides Services to Assist Firms

Some U.S. firms face various obstacles when competing for MDB projects, some of which businesses can address through individual marketing strategies. The U.S. government provides a range of export promotion services that appear to be consistent with the information U.S. firms said they needed to assist them in competing for MDB projects. Some U.S. firms gave suggestions on ways to improve these services.

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## Some U.S. Firms Face Obstacles in MDB Competition

According to U.S. and foreign government and U.S. business officials, several factors present obstacles to some firms competing for MDB projects. These factors include obtaining timely and detailed project information, as well as marketing their products to the borrowing countries' executing agencies. Other obstacles U.S. government officials noted were businesses' unfamiliarity with the process for competing for MDB contracts and the perception that the MDB procurement process is not open and competitive.

U.S. government and business officials said that the lack of early and complete information about projects can be an obstacle for some firms competing in the MDB market. Although MDBs publish information on MDB projects throughout the project cycle, it may not be specific and timely

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<sup>22</sup>Social sector or human resource development activities generally include education, health and nutrition, population, and water supply and sanitation projects.

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enough to help firms respond adequately to bids. U.S. business officials told us that when MDB procurement notices are released, it may be too late to start preparing bids. Foreign government and U.S. business officials said that to help overcome this obstacle, some foreign firms use their resources to learn about projects in detail before the requests for proposals or bid documents are issued. But, according to U.S. government and business officials, some U.S. firms, especially small to medium-sized firms, do not have or are unwilling to spend the money and take the risks involved in pursuing MDB projects, partly because the project cycle spans several years and a project could be disapproved for MDB financing or scaled back.

Another obstacle some businesses face is the cost of marketing their products to the executing agencies. Although the procurement process is designed to be fair, and all businesses are to have the same access to information MDBs publish, Treasury and Commerce officials said it is critical for businesses to market directly to executing agencies in the borrowing countries because these agencies purchase items for MDB-financed projects. Businesses can market their products by establishing some form of local presence, such as having an agent or office in-country, or by frequently visiting the executing agencies in the borrowing countries and MDBs. U.S. and foreign government officials told us that establishing a local presence to market goods and services is expensive, especially for small to medium-sized firms. But, according to some U.S. business officials, without a local presence it is difficult for firms to learn about the market and culture of the borrowing countries and conduct business directly with executing agencies.

Businesses can address some of these obstacles through their own business strategies. U.S. government and business officials told us that U.S. firms have to decide whether or not to make the MDB market a part of their overall export strategy and pursue MDB opportunities. For example, U.S. firms can develop a local presence in the borrowing countries by establishing joint ventures with local firms. This measure would help U.S. firms receive timely information on projects and market their products and may also enable them to benefit from local preference in MDB competition. U.S. firms could also subcontract with local firms to help establish a local presence and decrease labor costs. For small to medium-sized firms that do not have the resources to pursue MDB contracts alone or as prime contractors, U.S. government officials said they advise these firms to subcontract with large U.S. firms that have

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experience in the market or to team up with other small firms to bid on projects as ways to participate in the MDB market.

MDB and U.S. government and business officials further noted that U.S. firms could lose contracts because they did not follow one or more of the bid specifications. One U.S. firm's bid proposal for a project financed by ADB had about 200 deviations from the specifications; the firm subsequently lost the bid. Another U.S. business official told us that his firm now has a representative in Manila that provides a liaison with ADB officials and executive agencies to help ensure that his firm's bid proposals comply with the bid specifications. He said that he believes that submitting nonconforming bid proposals has prevented his firm from winning ADB contracts in the past.

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### Commerce Provides Information to U.S. Firms on MDB Projects

The 1988 Trade Act and the 1992 Jobs Through Exports Act require Commerce to inform U.S. businesses about MDB export opportunities. Commerce's MDB services are similar to some services it typically provides to assist U.S. firms in exporting their products. Commerce officials said they have not systematically surveyed U.S. firms to determine their needs in the MDB market. Through informal discussions with U.S. firms, Commerce officials said they found that businesses need information on MDBs and how to bid on MDB projects. In addition, as required in the 1988 Trade Act, Commerce has assigned one commercial liaison officer at every MDB. However, during the time of our review Commerce had not yet placed additional officers in every MDB, as required by the 1992 Jobs Through Exports Act. Commerce also has foreign nationals (staff from the country in which the bank is located) and administrative staff at some MDBs.

To promote the export of U.S. goods and services, Commerce staff conduct a variety of activities, such as

- organizing and participating in outreach programs in the United States and overseas to increase U.S. firms' awareness of the MDB market;
- hosting seminars at MDBs for U.S. firms to discuss their products with MDB staff;

- 
- disseminating information on MDB projects and the procurement process electronically on the National Trade Data Bank (NTDB) and the Economic Bulletin Board;<sup>23</sup>
  - counseling U.S. firms on how to bid on MDB projects; and
  - assisting, in cooperation with the U.S. executive directors' offices and the Treasury, as appropriate, U.S. firms in addressing procurement problems and bid evaluation disputes.

Commerce also provides services that are not specific to MDBS and that give U.S. firms opportunities to meet potential agents and joint venture partners.

In 1993, Commerce established the office of Multilateral Development Bank Operations to oversee Commerce services in all MDBS. According to Treasury and Commerce officials, the office was established as part of the Trade Promotion Coordinating Committee's<sup>24</sup> (TPCC) efforts to strengthen U.S. export promotion services. As of May 1995, the office had seven staff, whose responsibilities were to manage and coordinate outreach activities for the commercial liaison officers in the MDBS, provide business counseling for U.S. firms, and train foreign service nationals in Commerce's overseas posts on the MDB process. It also had one staff detailed from the Treasury to focus primarily on the World Bank's activities for private sector financing and investment guarantees. The office's counseling center is to provide reference materials on all MDBS and access to computerized information on NTDB, the Economic Bulletin Board, and the Internet. In October 1994, the office prepared a strategy paper to help achieve its program goals of raising awareness throughout the U.S. business community about MDBS, increasing the number of firms competing for MDB projects, and raising the share of U.S. firms in MDB procurement. As part of the strategy, the office is beginning to expand coordination with other U.S. government agencies and target trade associations to provide export promotion services for U.S. firms.

U.S. businesses we interviewed provided contrasting views on Commerce's services. Some U.S. business officials told us that

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<sup>23</sup>NTDB is an electronic source for market research and international trade data. The information is collected by over 20 federal sources and is updated monthly on a compact disk read-only memory (CD-ROM). U.S. firms may subscribe to NTDB for a fee. U.S. firms may also obtain access to the Economic Bulletin Board, which is an on-line source for trade information that is updated daily. This information is also available on the Internet.

<sup>24</sup>TPCC is an interagency committee authorized under the Export Enhancement Act of 1992 (Public Law 102-429, Oct. 21, 1992) to develop a governmentwide export strategy along with a unified export promotion budget. It consists of 19 executive branch agencies and is chaired by the Secretary of Commerce.

Commerce's services had encouraged them to pursue MDB projects, helped them to make contacts at MDBS, and in one instance led to an MDB contract. One trade association official stated in congressional testimony that Commerce staff are critical to the U.S. private sector because they represent a vital link between business and government.<sup>25</sup> Yet other business officials said that while the information in NTDB is useful, it is not always timely enough to help them bid on MDB contracts.

Commerce has not formally evaluated how its services affect U.S. participation rates at MDBS. However, it requires its MDB staff to report periodically to the Multilateral Development Bank Operations office on the U.S. firms that have won MDB contracts, including the staff's role in helping firms do so.

### Other U.S. Government Agencies Assist U.S. Firms Interested in MDB-Financed Projects

Commerce works with other U.S. government agencies to disseminate information on MDB projects. For example, AID has funded staff in Commerce's ADB office to promote U.S. environmental exports for AID's U.S.-Asia Environmental Partnership project.<sup>26</sup> Additionally, Commerce officials told us that the U.S. Department of State has agreed to help supplement Commerce's efforts by producing cables twice a year that summarize IDB's and the World Bank's projects that are in the pipeline. State also includes MDB information in strategic commercial plans that U.S. embassies develop.

TDA provides funds at AfDB, EBRD, IDB, and the World Bank to finance consultants and feasibility studies for major projects that are economic development priorities of recipient countries. TDA provides funds for MDBS in the early stages of a project to enhance the prospects for U.S. firms competing successfully for supply contracts. These funds may only be used to hire U.S. firms to perform MDB feasibility and other studies.

TDA began providing funds to MDBS in 1986. According to a TDA official, in 1994 TDA shifted its focus from financing numerous small consultant services to financing a small number of larger project design studies. The official said that this shift should help TDA focus on those projects that are

<sup>25</sup>Testimony by Robert C. Ulrich before the House Subcommittee on International Development, Finance, Trade and Monetary Policy, Committee on Banking, Finance, and Urban Affairs, on behalf of the American Consulting Engineers Council, November 18, 1993.

<sup>26</sup>AID established the U.S.-Asia Environmental Partnership project in 1992 to promote environmental improvements in Asia. In 1993, AID provided \$3.1 million to Commerce to promote U.S. environmental and energy technology in Hong Kong, India, Indonesia, Malaysia, the Philippines, Singapore, South Korea, Thailand, and Taiwan.

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most likely to lead to U.S. exports. TDA also entered into agreements with EBRD, IDB, and the World Bank<sup>27</sup> to provide trust funds with a constant balance of \$500,000. To ensure that funds for hiring U.S. consultants are always available in these trust funds and to maintain a constant balance of \$500,000, TDA plans to replenish these funds as money is disbursed.

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### U.S. Firms Suggested Ways to Improve U.S. MDB Services

Some U.S. business officials we interviewed suggested ways in which the U.S. government could improve its MDB export promotion services. One business official said that the U.S. government should reduce the fragmentation of its services. With several agencies involved in delivering services, he said it is sometimes difficult to know where to go for assistance. He also suggested that the U.S. government provide more seminars geared to businesses of various sizes, such as for small and medium-sized firms. Also, a trade association official suggested having U.S. industry representatives who are knowledgeable about specific industries work as commercial officers at MDBS.

U.S. government agencies recognize these issues and have taken steps to address them. For example, to deal with the issue of fragmentation of export promotion services, the interagency TPCC issued a report in 1993, Toward a National Export Strategy, that included 65 recommendations to develop a comprehensive export strategy. Regarding the suggestion that export promotion seminars be geared more for small to medium-sized firms, Commerce officials told us that most of its seminars already include these businesses. In response to the suggestion that U.S. industry representatives work as commercial officers at the U.S. Executive Directors Office, Commerce officials said that this measure would not be feasible because every industry would want its representative to fill this position. Furthermore, the MDBS place limits on the number of personnel that may be assigned to the U.S. Executive Directors Office. The officials also said that Commerce is training its officers in various industrial sectors to better assist businesses.

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<sup>27</sup>These funds at the World Bank are for the International Finance Corporation, the World Bank's private sector arm.

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## The Treasury Supported Reforms in the MDB Procurement Process and Has Assisted U.S. Firms in Procurement Disputes

Although MDBS establish procurement guidelines and are responsible for monitoring the procurement process, the executing agencies in the borrowing countries are responsible for awarding contracts for MDB projects. The Treasury has sought to ensure that MDBS strengthen their procurement policies and rules and enhance their mechanisms for monitoring the executing agencies that administer the procurement process. The Treasury, in cooperation with U.S. executive directors and Commerce liaison officers, has also assisted some firms that raised complaints about bidding procedures.

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## The Treasury Has Played an Important Role in MDB Reforms

The 1988 Trade Act requires the Secretary of the Treasury to instruct the U.S. executive director of each MDB to attach a high priority to promoting the export of U.S. goods and services. In carrying out this function, the U.S. Executive Director of each MDB is to help ensure that MDB procurement rules are observed and that U.S. firms are treated fairly, as envisioned by the act. Treasury officials told us that by working to build consensus with other member countries, the Treasury has played an important role in procurement reforms at MDBS. The reforms are designed to improve bank procurement rules and procedures and maintain fairness in the procurement system. For example, the Treasury supported many of the World Bank's procurement reforms that the Bank initiated as part of its portfolio management review in 1992. As a result of the review, the World Bank has done the following:

- It has established a procurement advisory committee to review proposals for goods contracts over \$25 million and consulting contracts over \$10 million. Through this committee, the World Bank is to monitor the consistency with which borrowing countries apply bank procurement guidelines.
- It issued revised procurement guidelines in January 1995. As part of the revision, the World Bank revised language to clarify and simplify procedures for social sector lending and other small-value contracts.
- It has increased procurement training for World Bank and borrower staff to improve their procurement skills, institutional expertise, and quality of documentation.
- It has required borrowers to use standard bidding documents for international competitive bidding. With standardized documents, according to a Treasury official, the procurement process should be more efficient and transparent because it should decrease the amount of time needed to review bid documents and help businesses better understand the bid specifications.

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In 1990, the Treasury reviewed the IDB's procurement process and made nine recommendations to improve procurement supervision and expand the dissemination of IDB project information. In a prior review,<sup>28</sup> we corroborated Treasury's findings and concurred with its recommendations. According to Treasury officials, IDB has dealt with most of Treasury's recommendations. These included increased procurement training for IDB and borrower procurement staff and wider dissemination of information explaining IDB procurement procedures.

According to the Treasury, IDB has hired a procurement chief and increased procurement training for its field offices and for executing agencies. To expand information dissemination on IDB projects, IDB developed a booklet on its procurement procedures, established monthly briefings to discuss IDB projects in the pipeline, and required borrowers to advertise in international publications.

At EBRD, the Treasury was involved in developing the original procurement guidelines for EBRD when it was established in 1991 and in revising subsequent procurement guidelines, according to Treasury officials. For example, as a result of Treasury's efforts, EBRD clarified the requirements for following public sector procurement guidelines to include projects, such as public utilities, that are majority owned or controlled by a national or local government.

At ADB, a Treasury official said that the Treasury is monitoring the degree to which U.S. firms win contracts relative to their competitors when executing agencies award "international shopping" contracts.<sup>29</sup> In 1989, ADB raised the threshold for goods contracts that are eligible for international shopping from \$300,000 to \$500,000. According to the Treasury official, U.S. firms have not been disadvantaged relative to their major competitors by the increased threshold.

While Treasury officials said MDBs have made progress in strengthening their procurement operations, the Treasury is continuing to work with MDBs to improve MDB procurement policies and rules and the supervision of the procurement process.

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<sup>28</sup>See Inter-American Development Bank: Efforts to Improve Procurement Procedures (GAO/NSIAD-91-126, Mar. 14, 1991).

<sup>29</sup>International shopping procedures do not call for as much advertising or notification as may be required by other MDB modes of procurement. These procedures generally entail soliciting at least three quotations for purchasing low-value or off-the-shelf items.



## The Treasury and Commerce Are to Address Complaints That U.S. Firms Raise

The 1988 Trade Act requires the U.S. executive director of each MDB to (1) investigate thoroughly any complaints from U.S. bidders about the awarding of procurement contracts by MDBs and (2) ensure that all contract procedures and rules of the banks are observed. Both the Treasury and Commerce have assisted some firms that have complained about aspects of MDB bidding or bid evaluation processes. U.S. firms may raise complaints that involve alleged unclear or biased specifications, the bid evaluation method, contract award practices, and other issues. Businesses are to raise procurement complaints first with the executing agencies or MDB staff responsible for the project. If the firms are not satisfied with the result, they can then discuss their complaints with the U.S. Executive Directors Office at the particular MDB.

Neither the Treasury nor Commerce systematically collect data on the number of bid complaints lodged by U.S. firms; therefore, we do not know the number of complaints U.S. firms have made. Treasury officials told us that many complaints are resolved by bringing the issue to the attention of the MDB project staff. We found documentation that showed that the Treasury and Commerce have addressed various procurement disputes, including those that involved prequalification<sup>30</sup> of bidders and questionable trade practices in the context of the invitation for bids. For example, one U.S. firm protested a foreign competitor's supplementary bid in which the competitor offered a lower-priced bid for substantially upgraded technology. The U.S. firm believed the competitor violated the spirit of ADB-approved bid rules. With the assistance of the ADB's U.S. Executive Directors Office and the Commerce officer, the U.S. firm was awarded the contract. In another case, a Treasury official stated in congressional testimony that the Treasury has been successful in bringing about the reversal of contract awards, reopening bids, and canceling loans when the borrowers were unwilling to follow procurement procedures. For example, the World Bank canceled \$50 million of a loan to Turkey for highway construction when that country was unwilling to reverse an award.<sup>31</sup>

## Agency Comments

We requested comments on a draft of this report from the Secretaries of the Departments of the Treasury and of Commerce or their designees. We

<sup>30</sup>MDBs prequalify bidders to procure technically complex items. Prequalification is done to ensure that only technically and financially capable firms are invited to submit bids.

<sup>31</sup>Testimony by Susan Levine, Deputy Assistant Secretary of the Treasury, International Development, Debt and Environment, before the House Subcommittee on International Development, Finance, Trade and Monetary Policy, Committee on Banking, Finance, and Urban Affairs, November 18, 1993.

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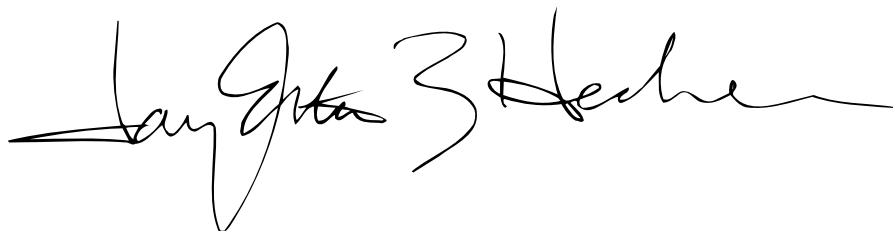
discussed our draft report with Treasury officials, including the International Economist in the Office of Multilateral Development Banks on August 15, 1995, and with Commerce's Director of Multilateral Development Bank Operations on August 17, 1995. Officials from both agencies agreed with the overall message and characterized the draft report as balanced and objective. They suggested technical changes, which we incorporated in the report as appropriate.

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We are sending copies of this report to the Secretaries of Commerce and of the Treasury, TDA, and appropriate congressional committees. We also will send copies to the U.S. businesses that participated in our review and to other interested parties. We will make copies available to others upon request.

Please contact me at (202) 512-4812 if you have any questions concerning this report. The major contributors to this report are listed in appendix V.

Sincerely yours,

A handwritten signature in black ink that reads "JayEtta Z. Hecker". The signature is fluid and cursive, with the first name "JayEtta" and the last name "Hecker" being the most prominent parts.

JayEtta Z. Hecker, Director  
International Trade, Finance,  
and Competitiveness Issues

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## Abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
AID	Agency for International Development
CD-ROM	compact disk read-only memory
EBRD	European Bank for Reconstruction and Development
IBRD	International Bank for Reconstruction and Development
ICB	international competitive bidding
IDA	International Development Association
IDB	Inter-American Development Bank
MDB	Multilateral Development Bank
NTDB	National Trade Data Bank
TDA	U.S. Trade and Development Agency
TPCC	Trade Promotion Coordinating Committee
U.K.	United Kingdom
U.N.	United Nations

# The Multilateral Development Banks' Project Development and Procurement Process

## The MDB Project Cycle

Projects that the multilateral development banks (MDB) finance involve a number of stages, spanning several years from the point at which they are conceived. As shown in table I.1, MDBS work with the borrowing countries in all of these stages, beginning with the project identification phase and ending at postevaluation. All MDBS generally follow the same project cycle.

**Table I.1: MDB and Borrower Participation in the Project Cycle**

Participant	Project cycle					
	Project identification	Preparation/ fact finding	Appraisal	Negotiations	Implementation/ supervision	Postevaluation
MDB	Yes	Yes	Yes	Yes	Yes	Yes
Borrower	Yes	Yes	No	Yes	Yes	Yes

Source: MDB document and GAO analysis.

In consultation with the borrowing countries, the banks begin by studying the economy and economic priorities of the borrowing countries in the context of the MDBS' lending priorities. In the preparation or fact-finding stage, borrowing countries examine (with guidance from MDBS) the technical, institutional, economic, and financial aspects of the proposed projects in the context of the MDBS' lending criteria. Subsequently, MDBS appraise the project to ascertain the extent to which the project meets the banks' lending requirements and development standards. The appraisal process usually results in formulating loan conditions that are then negotiated and approved.

The executing agencies are responsible for implementing the project, while MDBS supervise the project through site visits and progress reports from the borrowing countries. After the project is completed, MDBS conduct a postevaluation with assistance from the borrowing countries. The lessons learned from the evaluation process are to be incorporated into future project preparation and implementation.

## Procurements

MDBS are responsible for ensuring that the executing agencies adhere to the procurement guidelines throughout the project cycle. The MDBS' responsibilities include enforcing the procurement procedures by reviewing procurement plans, bid documents, and bid evaluation and draft contracts. The MDBS' role in the procurement process is to ensure that the procurement procedures are observed and conducted with fairness and impartiality. For example, MDBS require that borrowing countries (1) use

loans only to buy goods and services needed to complete the project, (2) purchase items in the most efficient and economical manner, and (3) give qualified bidders from MDB member countries an equal opportunity to compete for bank-financed contracts.

The executing agencies are responsible for advertising the need for goods and services for each project, preparing bidding documents, evaluating bids, and awarding contracts. The contracts cover a broad range of goods and equipment, civil works, and consulting services. For example, a World Bank 1993 document shows that borrowers of World Bank funds have awarded about 30,000 contracts annually; approximately 70 percent were for goods and equipment, 20 percent for civil works, and 10 percent for consulting services.

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## Modes of Procurement

MDB guidelines provide for different modes of procurement based on various criteria, including the dollar value of the items to be procured and the urgency of the need. The international competitive bidding (ICB) process is used to obtain many high-value goods and services. This process is designed to provide (1) adequate notification of procurement opportunities, (2) equal opportunity for all qualified bidders to compete for contracts, and (3) awarding of contracts to the lowest evaluated bidder.<sup>32</sup> Executing agencies may use other methods of procurement when ICB is not the most economical and efficient, such as to make small purchases, to fill an urgent need, or to obtain products when few suppliers provide a specialized good or service. Other procurement methods include the following:

- Limited international bidding: Suppliers or contractors of specialized goods and services participate by invitation rather than in response to an advertisement.
- International and local shopping: The executing agency generally solicits at least three quotations for purchasing low-value, off-the-shelf items.
- Local competitive bidding: This method is used in instances when foreign bidders are not expected to be interested because (1) contract values are small, (2) project activities are scattered geographically or spread over time, (3) project activities are labor intensive, or (4) the goods and services are available locally at prices below the international market price.

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<sup>32</sup>The lowest evaluated bid is based on the evaluation criteria set forth in the bid documents. In addition to the price, factors taken into account include quality, durability, availability of after-sale service and spare parts, training, and operational and maintenance costs over the life cycle of the equipment.

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**Appendix I**  
**The Multilateral Development Banks'**  
**Project Development and Procurement**  
**Process**

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- Direct purchasing: This is normally done on a negotiated basis in various circumstances, including when proprietary equipment can be obtained from only one supplier, when it is necessary to obtain standardized equipment or spare parts, and when it is essential to extend an existing contract for civil works or goods.
  - Force account: This procedure is used in certain construction projects when it is more advantageous and economical to use the borrower's own labor force and equipment.



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# MDB Data Limitations

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The U.S. Department of the Treasury has identified differences in MDB reporting systems that make assessing the market share of U.S. firms difficult. These limitations include definitional issues associated with the international market and differences in the way MDBS report procurement statistics.

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## Definitional Issues

The evolution of the international trading system has created definitional problems for reporting MDB procurement data. Firms are increasingly multinational and operate globally through subsidiaries, alliances, and partnerships. MDB statistics focus on firms from specific countries that provide goods and services and do not reflect the activities of multinational firms. For example, multinational firms may

- market, manufacture, and invoice goods and services from offices in several countries;
- integrate imported components into final products, which may then be exported;
- bid on contracts or receive payments through their home office or foreign subsidiaries; and
- bid on contracts through joint ventures involving firms located in various countries.

Therefore, MDB procurement data that list the country of a firm from which a winning bid was submitted or to which funds were disbursed may not provide precise information about where the procured items were produced.

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## Approaches to MDB Reporting in Annual Reports

MDBS report procurement data in one of two ways—by disbursements or by contract awards. The basic difference between these two types of statistics is the time period to which they refer. For example, 1994 disbursements capture payments made in 1994 irrespective of when the contracts were awarded. Contract awards data would reflect the amount of contract awards signed in 1994. The World Bank and the Inter-American Development Bank (IDB) report procurement data in their annual reports based on disbursements. The World Bank's disbursement data are based on the address to which payments are made, and the IDB's data are based on the origin of the goods. The Asian Development Bank (ADB) reports its data based on contract awards by origin of the goods. The European Bank for Reconstruction and Development (EBRD) collects contract award data

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for public sector projects by address of the supplying firm, but does not currently publicize this information through its annual reports.

Due to the complexity of and differences among the various MDB reporting systems, the Treasury recommended that we use publicly available data from the MDBS' annual reports (with appropriate caveats). The Treasury has further noted that different computer systems and programs, as well as institutional cultures, would make achieving a homogeneous reporting system costly and require strong consensus building. To determine the average market share for firms from the United States and other countries, we used data from the MDBS' annual reports for 1989 through 1994.

# Selected MDB Contract Awards and Disbursements, 1989-94

Table III.1 shows that from 1989 to 1994, World Bank disbursements were almost 3 times as large as disbursements and contract awards for the other MDBs combined that were included in our review. It also shows how MDB disbursements and contract awards fluctuated from one year to the next. For example, World Bank disbursements to U.S. firms increased by almost \$300 million between 1989 and 1990 and over \$350 million at IDB from 1992 to 1993. Treasury officials partly attribute these large increases to adjustment loans, which assist countries in reforming economic and fiscal policies and address balance of payments problems. Treasury officials also attribute the variation in U.S. disbursements and contract awards in the regional MDBs to U.S. firms winning one or two large contracts. Because the regional MDBs (IDB, ADB, and EBRD) are much smaller than the World Bank, winning one large contract can substantially raise the relative share credited to a particular country.

**Table III.1: MDB Disbursements and Contract Awards to the United States and Its Four Major Industrialized Competitors, 1989-94**

Dollars in millions				
Country	Disbursements		Contract awards	
	World Bank	IDB	ADB	EBRD
United States				
1989	\$1,408	\$210	\$143	n/a
1990	1,696	365	156	n/a
1991	1,315	658	307	<sup>a</sup>
1992	1,324	577	210	<sup>a</sup>
1993	1,393	936	144	<sup>a</sup>
1994	971	506	261	\$31 <sup>a</sup>
<b>Total</b>	<b>\$8,107</b>	<b>\$3,252</b>	<b>\$1,221</b>	<b>\$31</b>
U.K.				
1989	\$935	\$29	\$47	n/a
1990	875	43	65	n/a
1991	789	43	82	<sup>a</sup>
1992	697	52	82	<sup>a</sup>
1993	727	42	69	<sup>a</sup>
1994	961	71	82	\$21 <sup>a</sup>
<b>Total</b>	<b>\$4,984<sup>b</sup></b>	<b>\$280</b>	<b>\$427</b>	<b>\$21</b>
France				
1989	\$636	\$212	\$28	n/a
1990	716	142	60	n/a
1991	766	122	167	<sup>a</sup>

(continued)

**Appendix III  
Selected MDB Contract Awards and  
Disbursements, 1989-94**

Dollars in millions

Country	Disbursements		Contract awards	
	World Bank	IDB	ADB	EBRD
1992	760	52	21	<sup>a</sup>
1993	743	45	50	<sup>a</sup>
1994	786	34	70	\$17 <sup>a</sup>
<b>Total</b>	<b>\$4,407</b>	<b>\$607</b>	<b>\$396</b>	<b>\$17</b>
Germany				
1989	\$858	\$75	\$39	n/a
1990	777	76	115	n/a
1991	1,019	169	82	<sup>a</sup>
1992	874	133	134	<sup>a</sup>
1993	846	131	340	<sup>a</sup>
1994	766	70	248	\$48 <sup>a</sup>
<b>Total</b>	<b>\$5,140</b>	<b>\$654</b>	<b>\$958</b>	<b>\$48</b>
Japan				
1989	\$1,321	\$61	\$147	n/a
1990	877	75	271	n/a
1991	826	112	344	<sup>a</sup>
1992	860	78	206	<sup>a</sup>
1993	846	107	434	<sup>a</sup>
1994	691	47	337	\$12 <sup>a</sup>
<b>Total</b>	<b>\$5,421</b>	<b>\$480</b>	<b>\$1,739</b>	<b>\$12</b>
<b>Subtotal</b>	<b>\$28,059</b>	<b>\$5,273</b>	<b>\$4,741</b>	<b>\$129</b>
Other countries <sup>c</sup>				
1989	\$9,908	\$1,823	\$1,744	n/a
1990	12,848	1,348	2,129	n/a
1991	11,273	1,786	2,029	<sup>a</sup>
1992	11,926	1,853	2,089	<sup>a</sup>
1993	12,819	2,052	2,574	<sup>a</sup>
1994	11,804	1,855	2,832	\$154 <sup>a</sup>
<b>Grand total</b>	<b>\$98,637</b>	<b>\$15,990</b>	<b>\$18,138</b>	<b>\$283</b>

(Table notes on next page)

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**Appendix III  
Selected MDB Contract Awards and  
Disbursements, 1989-94**

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Legend: N/A = not applicable.

<sup>a</sup>Between its inception in 1991 and March 1994, EBRD made contract awards totaling \$283 million. Data were not available to permit showing the amount of contracts awarded each year; therefore, we show the cumulative awards as of March 1994.

<sup>b</sup>U.K. includes Hong Kong.

<sup>c</sup>"Other countries" category includes other industrialized and developing countries. The amounts shown are for both local and foreign disbursements and contract awards.

Sources: MDB annual reports and EBRD contract award data, 1989-94.

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# Comparison of U.S. Firms' Ranking in MDB Procurements to Their Ranking in World Exports

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To gain some perspective on the size of MDB market shares for U.S. firms and their major industrialized nation competitors, we compared MDB contract awards/disbursement data with United Nations (U.N.) trade data from 1989 to 1993. We ranked the United States, France, Germany, Japan, and the United Kingdom (U.K.) according to the dollar value of their firms' exports to the developing nations; we also ranked each of the five nations according to the dollar value of their firms' MDB contract awards/disbursements. We then compared the rankings based on MDB contract awards/disbursements to the rankings based on export volumes for the World Bank, IDB, ADB, and EBRD. Because of the limitations of both data sets, these comparisons can only provide a rough guide against which to assess the performance of U.S. firms and their major competitors in the MDB market.<sup>33</sup>

U.S. firms' rankings according to MDB contract awards/disbursements were similar to U.S. firms' rankings according to worldwide exports. Compared to the U.K., France, Germany, and Japan, the United States had the highest level of total World Bank disbursements for 1989 to 1994 and the highest level of exports to World Bank developing nations from 1989 to 1993. During the same period, U.S. firms also had the highest level of total IDB disbursements and the highest level of exports to IDB developing nations. U.S. firms ranked second to Japanese firms in ADB contract awards and second to Japanese firms in exports to ADB developing nations. Compared to their major competitors, U.S. firms ranked second to German firms in EBRD contract awards<sup>34</sup> and second to German firms in exports to EBRD developing nations. Tables IV.1-4 show that the rankings on the basis of contract awards/disbursements and exports were similar in most cases for all five nations at the World Bank, IDB, ADB, and EBRD.

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<sup>33</sup>The major limitations of MDB data have already been discussed in this report. U.N. trade data also contain several notable limitations. For example, not all nations provide trade statistics to the U.N., and there are discrepancies in the statistics that are provided. Nevertheless, U.N. trade data are frequently used by policymakers and others.

<sup>34</sup>Italian firms received 15 percent, compared to U.S. firms' 11 percent, of EBRD contract awards.

**Appendix IV  
Comparison of U.S. Firms' Ranking in MDB  
Procurements to Their Ranking in World  
Exports**

**Table IV.1: Total World Bank Disbursements, 1989-94, and Exports to World Bank Developing Nations, 1989-93**

<b>Nation</b>	<b>Ranking for World Bank disbursements (\$ in billions)</b>	<b>Ranking for exports to World Bank developing nations (\$ in billions)</b>
United States	1 (\$8.1)	1 (\$525.9)
Japan	2 (5.4)	2 (388.0)
Germany	3 (5.1)	3 (171.2)
U.K.	4 (5.0) <sup>a</sup>	5 (85.7)
France	5 (4.4)	4 (120.9)

<sup>a</sup> U.K. includes Hong Kong.

Sources: World Bank annual reports, 1989-94, and U.N. export data.

**Table IV.2: Total IDB Disbursements, 1989-94, and Exports to IDB Developing Nations, 1989-93**

<b>Nation</b>	<b>Ranking for IDB disbursements (\$ in billions)</b>	<b>Ranking for exports to IDB developing nations (\$ in billions)</b>
United States	1 (\$3.25)	1 (\$296.6)
Germany	2 (0.65)	3 (37.5)
France	3 (0.61)	4 (17.9)
Japan	4 (0.45)	2 (58.0)
U.K.	5 (0.28)	5 (13.4)

Sources: IDB annual reports, 1989-94, and U.N. export data.

**Table IV.3: Total ADB Contract Awards, 1989-94, and Exports to ADB Developing Nations, 1989-93**

<b>Nation</b>	<b>Ranking for ADB contract awards (\$ in billions)</b>	<b>Ranking for exports to ADB developing nations (\$ in billions)</b>
Japan	1 (\$1.74)	1 (\$300.9)
United States	2 (1.24)	2 (187.3)
Germany	3 (0.96)	3 (87.7)
U.K.	4 (0.44)	4 (42.7)
France	5 (0.40)	5 (38.1)

Sources: ADB annual reports, 1989-94, and U.N. export data.

**Appendix IV  
Comparison of U.S. Firms' Ranking in MDB  
Procurements to Their Ranking in World  
Exports**

**Table IV.4: Total EBRD Contract Awards Through March 1994 and Exports to EBRD Developing Nations in 1993**

<b>Nation</b>	<b>Ranking for EBRD contract awards (\$ in millions)</b>	<b>Ranking for exports to EBRD developing nations (\$ in millions)</b>
Germany	1 (\$48)	1 (\$33,600)
United States	2 (31)	2 (9,500)
U.K.	3 (19)	4 (5,000)
France	4 (17)	3 (7,400)
Japan	5 (11)	5 (3,600)

Sources: EBRD contract award data from conception to March 1994 and U.N. export data.

We did not compare the percentage of MDB contract awards/disbursements accounted for by each of the leading nations for two reasons. First, to get the most accurate standard by which to compare MDB disbursement data with export data, we would have had to weight the export data by the percentage of exports going to each developing nation and the actual mix of goods going to each developing nation. Because MDB data in the annual reports were aggregated, we did not know the mix of goods that went to each nation and, therefore, could not weight the export data by country and mix of goods. Second, because disbursements to local firms represented domestic consumption, we would have needed to exclude all local disbursements from the base on which we calculated percentages when we compared MDB disbursements to exports. However, data on local disbursements were not available for some MDBS.

While we could not consider percentage shares for firms from each country, we considered the value of U.S. firms' MDB contract awards/disbursements in relation to those of their leading competitors' firms. We looked at how U.S. firms compared to the firms of the second-ranking nation in MDBS where U.S. firms were in first place, and how U.S. firms compared to the firms of the first-ranking nation in MDBS where U.S. firms ranked second.

We found that the value of U.S. firms' World Bank disbursements was about 1.5 times (\$8.1 billion to \$5.4 billion) greater than that of Japanese firms, which ranked second. The value of U.S. firms' exports to all World Bank developing nations was about 1.4 times (\$525.9 billion to \$388 billion) greater than that of Japanese firms. In other words, compared to Japanese firms, U.S. firms won World Bank disbursements at approximately the same rate as they won exports to developing nations. When we made this comparison for IDB, we noted that the value of U.S.



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**Appendix IV**  
**Comparison of U.S. Firms' Ranking in MDB**  
**Procurements to Their Ranking in World**  
**Exports**

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firms' IDB disbursements was about 5 times that of German firms, which ranked second in terms of IDB disbursements; similarly, the value of U.S. firms' exports to IDB developing nations was about 5 times that of Japanese firms, which ranked second in terms of exports to the region. For both ADB and EBRD, U.S. firms had a relatively higher share of procurements than exports when compared to the firms of their main competitor in each region. These comparisons suggest that, compared to the firms of their leading competitor nation in each MDB project market, U.S. firms were as competitive in winning MDB procurements as they were in winning exports between 1989 and 1993. However, we must note that the same pattern did not always occur when we compared U.S. firms to the third-, fourth-, or fifth-ranking competitors' firms in each MDB.

# Major Contributors to This Report

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**General Government  
Division, Washington,  
D.C.**

Allan I. Mendelowitz, Managing Director  
John Hutton, Assistant Director  
Eluma Obibuaku, Site Supervisor  
Martin De Alteriis, Social Science Analyst  
Loren Yager, Economist

---

**Los Angeles Field  
Office**

Patrick Gormley, Adviser  
Joyce Akins, Evaluator-in-Charge

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