

March 09, 2022

The Honorable Gina Raimondo
Secretary
U.S. Department of Commerce
1401 Constitution Ave., N.W.
Washington, DC 20230

RE: Multilateral Development Bank Procurement Barriers and Transaction Cost Questions
ETTAC Recommendation 2021-08

Dear Secretary Raimondo:

We appreciate your positive response to our recommendation to convene multilateral development banks with the interagency and business communities to address barriers to U.S. firms pursuing procurements. We are writing to highlight key barriers facing U.S. companies and request that you work with your team to push our questions and suggestions forward that can help prepare for implementation of this important and timely session.

The Environmental Technologies Trade Advisory Committee (ETTAC) is a federally established committee whose purpose is to advise on the policies and procedures of the U.S. government that affect U.S. environmental technology exports. The U.S. environmental industry supports over 1.6 million jobs and generates over \$345 billion in revenue annually. In this capacity, we appreciate the opportunity to provide the following recommendations:

Barriers

The following are examples of barriers that discourage U.S. business engagement in multilateral banks procurements:

- **Cost**

Labor is more expensive in the U.S. than in other countries. When procurements are based on the lowest cost or a percentage of a technical proposal evaluation, U.S. firms will not qualify.

To be technically competitive, companies must not only be experts in the subject matter but also knowledgeable in the country context. This issue requires significant investments in information gathering and travel to the country for several weeks to meet with stakeholders. The cost for international travel, lodging, meals, in-country travel, and identifying the right in-country experts is prohibitive.

- **Risk**

- Perceived corruption with foreign-led procurements, albeit funded by the World Bank.
- Not being paid.
- Governing laws (e.g., U.S. or host country).
- Complexity of setting up local operations.
- The potential for debarment for the entire company.
- Finding trusted local partners qualified to implement projects.

A discussion on the role various stakeholders (e.g., World Bank and host country) play in procurement and contract implementation would be beneficial.

Risks regarding the clarification process for the host country are often not addressed.

- **Limited information**

The World Bank project cycle consists of five phases.

- Identification
- Preparation
- Appraisal
- Negotiations
- Implementation

The World Bank for instance suggests that contractors begin to make contacts with country officials during the Preparation stage, but often there is not enough information about the project to justify the expense for international travel and local engagement until much later in the process.

- **Time value of money**

For the majority of U.S. firms, the domestic market is the primary market. There is an opportunity to establish trusted client relationships that are built through ongoing interaction and communication. Significant time and resources are dedicated to cultivating these relationships. World Bank procurements do not lend themselves to the same long-term relationship-building environment, unless a firm has an existing presence in a project country. There is little benefit to expending resources to establish the same degree of relationship for a project that may only last 5 years, especially when one considers the dollar value of the procurement.

Possible Questions

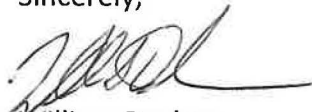
- What are the strategies to increase participation of U.S. environmental technology firms in multilateral tenders?

- How can we reduce transaction costs associated with multilateral tenders, including possible fast-track approaches for international bidders?
- What are near-term solutions such as a potential pilot program to explore implementation options?
 - Shortlisting a group of firms to submit proposals for the set of international procurements would narrow the playing field and allow U.S. firms to more confidently pursue multiple procurements under one project.
 - Issue a framework contract for a project or technical field (e.g., road safety).

One possible opportunity is to convene a regular, annual Reverse Industry Day (RID) to provide World Bank/multi-lateral bank professionals with opportunities to learn about the issues/concerns that are most important to industry when doing business with them. During these events, panels could feature industry leaders addressing audiences of acquisition professionals who can further learn how to enhance the multi-lateral business environment and address the challenges faced.

We look forward to providing additional detail in advance of any discussions with the World Bank. Please feel free to contact us if you require additional information.

Sincerely,



William Decker

ETTAC Chair