



September 2024

WORLD BANK PROCUREMENT

Risk Monitoring Can
be Enhanced as U.S.
Businesses Face
Challenges
Competing

GAO Highlights

Highlights of [GAO-24-106718](#), a report to congressional requesters

Why GAO Did This Study

The United States is one of the largest contributors to the World Bank, which provides financing to low- and middle-income countries for development projects. Borrower countries are responsible for managing project procurement. The World Bank is responsible for assessing and monitoring their capacity to do so. Federal law requires Commerce to take actions to assist U.S. businesses competing for borrower contracts. Treasury reviews proposed World Bank borrower projects and determines the U.S. voting position with input from other agencies.

GAO was asked to review issues related to World Bank borrowers' procurement. This report examines, among other objectives, (1) the extent to which the World Bank's guidance is designed to ensure that borrowers have the capacity to manage procurement; (2) challenges selected U.S. businesses reported facing when competing for borrower contracts, and how U.S. agencies assist businesses in pursuing these contracts; and (3) the extent to which Treasury reviews and monitors World Bank borrower projects for risks to U.S. interests.

GAO reviewed World Bank and Treasury documents, interviewed a nongeneralizable sample of 15 U.S. businesses that pursued borrower contracts, and interviewed World Bank, Treasury, and Commerce officials.

What GAO Recommends

GAO is making two recommendations to Treasury to develop processes for whether and how to monitor World Bank borrower projects. Treasury agreed with both recommendations.

View [GAO-24-106718](#). For more information, contact Latesha Love-Grayer at (202) 512-4409 or LoveGrayerL@gao.gov.

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What GAO Found

The World Bank's guidance on assessing project procurement risk aligns with leading international practices for assessing the capacity of public procurement systems. For example, prior to submitting projects to its Board of Directors, the World Bank assesses the capacity of borrowers to implement procurement. While the World Bank has processes to manage project procurement risk, internal reviews have recommended improvements related to reporting integrity concerns and implementing new procurement processes.

World Bank Borrowers use Bank Financing for Projects Ranging from Building Transportation Infrastructure (Left) to Supporting Vaccination Programs (Right)



Source: Yayo Lopez / World Bank (left), Ezra Acayan / World Bank (right). | GAO-24-106718

GAO selected and interviewed a nongeneralizable sample of 15 U.S. businesses on challenges they reported facing when competing for contracts awarded by World Bank borrowers. Ten of the 15 businesses reported that borrowers often preferred to evaluate proposals based only on the lowest cost, as opposed to considering both quality and cost. More than half of the 15 businesses also raised concerns about the World Bank's oversight over the procurement and implementation of projects in which they were involved. Four of these businesses said that World Bank officials were reluctant to be involved even when issues with borrowers arose. Around half of the 15 businesses also raised concerns about procurement transparency and integrity. More than half of the 15 businesses said that they may not bid on future contracts based on their previous experiences. U.S. agencies like the Department of Commerce (Commerce) offer assistance to businesses competing for borrower contracts. This includes providing information on procurement opportunities and training sessions about doing business with the World Bank.

The Department of the Treasury (Treasury) determines whether the U.S. should support proposed World Bank borrower projects based on factors such as U.S. national security and foreign policy interests and legislative requirements. Treasury officials told GAO they informally monitor some projects during implementation when issues are brought to their attention. However, Treasury does not have formal processes for determining whether and how to monitor World Bank borrower projects. Without such processes, Treasury may not be able to proactively monitor projects and address potential risks to U.S. interests.

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Abbreviations

Board	World Bank Board of Directors
Commerce	Department of Commerce
FY	fiscal year
GIA	Group Internal Audit
IPF	Investment Project Financing
ISR	Implementation Status and Results Report
ITA	International Trade Administration
MAPS	Methodology for Assessing Procurement Systems
PAD	Project Appraisal Document
P-RAMS	Procurement Risk Assessment and Management System
SORT	Systematic Operations Risk-rating Tool
STEP	Systematic Tracking of Exchanges in Procurement
Treasury	Department of the Treasury
USED	U.S. Executive Director

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September 26, 2024

The Honorable Bill Hagerty
Ranking Member
Subcommittee on National Security and International Trade and Finance
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Tom Cotton
United States Senate

The Honorable Chuck Grassley
United States Senate

The World Bank lends money and provides financial assistance to low- and middle-income countries for development projects that aim to reduce poverty.¹ In World Bank fiscal year (FY) 2023, the World Bank committed around \$73 billion in credits, loans, grants, and guarantees.² Members of the World Bank's Board of Directors (Board) review and vote on whether to approve individual projects financed by the World Bank. The Department of the Treasury (Treasury) is the lead representative of the U.S. to the World Bank. The U.S. Executive Director (USED) represents U.S. interests on the Board and, because the U.S. is the largest shareholder in the World Bank, has the largest voting share among individual member countries.

On July 1, 2016, the World Bank introduced its new procurement framework, which generally relies on borrower countries to execute all aspects of projects. The World Bank performs risk assessments of proposed projects to determine whether the borrower has the capacity to implement projects in line with the World Bank's requirements, including undertaking procurement. As part of these assessments, the World Bank

¹The World Bank Group includes five institutions that carry out its mission to reduce poverty, increase shared prosperity, and promote sustainable development. These institutions include the International Development Association and the International Bank for Reconstruction and Development, which are known together as the World Bank. The other three institutions are the International Finance Corporation, the Multilateral Investment Guarantee Agency, and the International Centre for Settlement of Investment Disputes. This report focuses on the World Bank, rather than the World Bank Group more broadly.

²The World Bank's fiscal year begins July 1st. All references to fiscal years in this report are World Bank fiscal years, unless otherwise noted.

also identifies ways to mitigate potential risks and issues due to limited borrower capacity. The World Bank provides summaries of these assessments to the Board for review.

Federal law requires the Department of Commerce (Commerce) to take actions to assist in promoting U.S. export opportunities, including assuring that U.S. businesses are fully informed of bidding opportunities for World Bank borrower projects. We found in May 2023 that U.S. businesses accounted for around one percent of all World Bank borrower contract dollars awarded from fiscal years 2013 through 2022.³

Treasury leads efforts to ensure that U.S. interests—including national security and foreign policy interests—are considered when the Board votes on whether to approve borrower projects. As our May 2023 work described, World Bank projects may raise national security or foreign policy concerns for the U.S.⁴ For example, a World Bank borrower proposed awarding a contract to an entity that Commerce had determined posed significant risk of involvement in activities contrary to U.S. national security or foreign policy interests. Specifically, as part of a World Bank-financed project, the Chinese telecommunications company Huawei Marine had the leading bid to lay an undersea cable that would connect Kiribati and the Federated States of Micronesia to a sensitive undersea cable used by the U.S. government and Guam. Commerce’s Bureau of Industry and Security had previously listed Huawei Marine on the Entity List for posing a significant risk of involvement in activities contrary to the national security or foreign policy interests of the U.S.⁵ According to World Bank documentation, in 2021 the Federated States of Micronesia canceled the procurement.

³GAO, *World Bank: Borrower Countries’ Contracts to Businesses in the U.S. and to Entities Potentially on U.S. Sanctions or Other Lists of Concern*, [GAO-23-105543](#) (Washington, D.C.: May 10, 2023).

⁴[GAO-23-105543](#).

⁵According to financial news sources, at the time of the bid, Huawei Marine had recently divested from Huawei Technologies Ltd. and became majority owned by another Chinese firm. In 2019 Huawei Technologies Ltd. was added to the Entity List. The Entity List identifies persons reasonably believed to be involved, or to pose a significant risk of being or becoming involved, in activities contrary to the national security or foreign policy interests of the U.S. 15 C.F.R. § 744.16. It includes names of certain foreign entities that are subject to specific license requirements for the export, reexport and/or transfer (in-country) of specified items. Entities on the Entity List are subject to licensing requirements and policies supplemental to those found elsewhere in the Export Administration Regulations. 15 C.F.R. Part 744, Supp. No. 4.

You asked us to review several issues related to the World Bank's oversight of borrower procurement, U.S. businesses' experiences competing for World Bank borrower contracts, and Treasury's oversight of World Bank borrower contracts.⁶ This report examines: (1) the extent to which the World Bank's guidance is designed to ensure that borrowers have the capacity to manage procurement in line with the World Bank's procurement framework; (2) how the World Bank and borrowers screen potential suppliers; (3) what challenges, if any, selected U.S. businesses reported facing when competing for World Bank borrower contracts, and how U.S. agencies assist U.S. businesses pursuing these contracts; and (4) the extent to which Treasury reviews and monitors World Bank borrower projects for risks to U.S. interests.⁷

To examine the extent to which the World Bank's guidance is designed to ensure that borrowers have the capacity to manage procurement in line with the World Bank's procurement framework, we reviewed World Bank procurement regulations, policies, and other related guidance. We subsequently assessed the World Bank's guidance on performing procurement risk assessments against internationally recognized leading practices known as the Methodology for Assessing Procurement Systems (MAPS). We also interviewed World Bank officials on the use of World Bank systems and methodologies used to perform procurement risk assessments.

In addition, we reviewed publicly available project documents to identify how the World Bank discloses procurement risks prior to project approval and during project implementation. To accomplish this, we selected a nongeneralizable sample of 14 World Bank borrower projects approved from FYs 2019 through 2022, with two projects from each of the World Bank's seven regions based on specific criteria.⁸ For each project, we

⁶To respond to this request, we previously reported on (1) the extent to which World Bank borrowers awarded contracts to businesses in the U.S. in comparison to businesses in other countries and (2) the extent to which World Bank borrowers awarded contracts to entities that may have been on selected U.S. sanctions or other lists of parties of concern, and what actions, if any, Treasury took in response. See [GAO-23-105543](#).

⁷Contracts may be awarded to both companies and individuals. In this report, we refer to companies and individuals collectively as suppliers or businesses.

⁸We selected FY 2019 as the earliest year for consideration because projects approved in this year are more likely to be subject to the procurement framework, which applies to all projects with a 'concept note' after July 1, 2016. We selected FY 2022 as the latest year for consideration to increase the likelihood that projects had begun implementation and therefore had related monitoring documentation.

compared the pre-approval documentation against World Bank guidance. We also reviewed post-award monitoring documentation.

To examine how the World Bank and borrowers screen potential suppliers, we reviewed World Bank guidance to borrowers on screening potential suppliers and Systematic Tracking of Exchanges in Procurement (STEP) training videos. We also interviewed World Bank officials on their policies and procedures used by the World Bank to conduct screening using the World Bank's Anti-Money Laundering and Countering Financing of Terrorism and Sanction policies and procedures, as well as screening performed by borrowers.

To examine what challenges, if any, selected U.S. businesses reported facing when competing for World Bank borrower contracts, and how U.S. agencies assist U.S. businesses pursuing these contracts, we selected and interviewed a nongeneralizable sample of 15 U.S. businesses that were awarded World Bank borrower contracts in calendar years 2017 through 2021.⁹ To choose our sample of U.S. businesses, we reviewed World Bank borrower contract award data to identify U.S. businesses that had been awarded World Bank borrower contracts. We then selected 15 U.S. businesses that cover the four World Bank procurement categories.¹⁰ We interviewed each U.S. business on their experiences competing for World Bank borrower contracts. We also interviewed three

⁹We selected our sample in April 2022 during our work for [GAO-23-105543](#). We based our selection on data on borrower contract awards published by the World Bank at that time. We asked each U.S. business that we interviewed in our sample how successful they had been bidding on borrower contracts to ensure that our sample included both businesses with successful and unsuccessful experiences bidding on borrower procurements.

¹⁰The World Bank reports on four procurement categories: civil works, goods, consultant services, and non-consulting services. The civil works category includes the construction and repair of structures, such as projects for road construction and transportation, infrastructure, waste management, and water system repair. The goods category includes the purchase of items, such as raw materials and machinery. The consultant services category includes advisory and professional services, such as financial advisory services and drafting sector policies. The non-consulting services category includes services that are normally bid and contracted based on measurable outputs and for which performance standards can be clearly identified and consistently applied, such as drilling or aerial photography.

trade associations that represent businesses competing for these contracts.¹¹

To examine how U.S. agencies assist U.S. businesses pursuing borrower contracts, we reviewed laws concerning these agencies' responsibilities to assist U.S. businesses and interviewed these agencies about their activities and actions to meet their statutory requirements. We also interviewed our nongeneralizable sample of U.S. businesses and trade associations to gain their perspectives about this assistance. These businesses' views illustrate important experiences, but cannot be generalized to represent the views of all competing U.S. businesses.

To examine the extent to which Treasury reviews and monitors World Bank borrower projects for risks to U.S. interests, we reviewed relevant laws, regulations, and internal Treasury guidance to understand Treasury's roles and responsibilities related to reviewing and monitoring World Bank projects. We also interviewed Treasury officials on how they review and monitor World Bank borrower projects. We subsequently assessed the degree to which Treasury's process for reviewing World Bank borrower projects conformed with Treasury's Internal Control Program and federal internal control standards.

We conducted this performance audit from March 2023 to September 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

World Bank Project Financing

The World Bank's main financing instrument for procurement is Investment Project Financing (IPF), which funds projects in sectors such as transportation, health, and information and communications technologies. Under IPF, the borrower has the responsibility to implement the project and execute procurement in accordance with the World Bank's

¹¹We reached out to trade associations that we determined potentially had members that competed for World Bank borrower contracts and requested referrals to trade associations and businesses from the Commerce's International Trade Administration liaison at the World Bank's office of the USED.

procurement framework and project-specific plans approved by the World Bank.¹² According to World Bank data, in FY 2023 World Bank borrowers reported awarding around \$16.5 billion in IPF contract dollars.¹³

World Bank Procurement Framework

The World Bank introduced its current procurement framework in FY 2017 to better support borrower procurement. The procurement framework establishes seven procurement principles and five governance principles that guide borrower procurement and support the effective use of World Bank financing. The framework also provides detailed guidance for borrowers executing procurement for IPF projects.¹⁴

Under the procurement framework, the World Bank provides financing to borrowers, and borrowers have the responsibility to evaluate bids and proposals for projects based on criteria defined in bidding documents.¹⁵ The World Bank evaluates the borrower's capacity to manage procurement and assesses the risk that borrowers may not be able to execute procurement in line with the framework, known as "procurement risk." The World Bank oversees the procurement to ensure that borrowers comply with the framework, with the degree of oversight tailored to project-specific risks. The borrower also signs a legal agreement with the World Bank committing to carrying out project procurement in line with the procurement framework.

Borrowers have several flexibilities in how to implement procurement based on World Bank thresholds, with some limitations based on contract

¹²According to World Bank officials, funds for IPF projects can also be used for project operating costs. The World Bank's other financial instruments are Development Policy Financing, which supports policy and institutional reforms, and Program-for-Results, which links disbursement of funds to project goals.

¹³The World Bank also directly awards contracts for goods and services to support its own operations. This is known as corporate procurement. This report focuses on procurement implemented by World Bank borrowers as a part of World Bank-financed IPF projects.

¹⁴The procurement framework comprises four elements: regulations, policies, directives, and procedures. The World Bank provides borrowers with supporting guidance documents to help implement the framework requirements.

¹⁵The procurement framework was preceded by the procurement guidelines, which had similar goals, but provided less flexibility to borrowers. According to World Bank officials, the procurement framework constitutes best practice among international financial institutions and comprises principles-based procurement policy that balances the risks of the borrower and contractors.

value and risk.¹⁶ For example, in some instances, borrowers may apply their own open competitive national procurement procedures subject to standards defined by the World Bank. In certain cases, borrowers may apply a preference for domestic businesses when evaluating bids subject to World Bank regulations and thresholds.¹⁷

The World Bank may declare entities ineligible to participate in World Bank-financed contracts.¹⁸ Specifically, the World Bank Group's Integrity Vice Presidency investigates allegations that an entity may have engaged in fraud, corruption, coercion, collusion, or obstruction in connection with World Bank-financed projects.¹⁹ Based upon the results of the investigation and a subsequent administrative review, the World Bank may temporarily suspend or permanently debar entities, among other administrative actions.²⁰ As of May 2024, there were around 1,200 entities on the World Bank's Listing of Ineligible Firms and Individuals.

The World Bank requires borrowers to check the eligibility of potential suppliers against the World Bank's lists of debarred or suspended businesses. Additionally, according to World Bank officials, the World Bank screens contract award recommendations by borrowers as required by its Anti-Money Laundering and Countering Financing of Terrorism and Sanction Screening policies and procedures. According to World Bank officials, the screening policies and procedures incorporate certain U.S.,

¹⁶The thresholds vary by country and procurement type. The World Bank sets thresholds for borrowers based on multiple factors, including country-specific market conditions and the complexity and risk of certain industries. See World Bank, *Thresholds for Procurement Approaches and Methods by Country*, OPSPF5.05-GUID.148 (Washington, D.C.: Aug. 2016).

¹⁷See World Bank, *Procurement Regulations for IPF Borrowers Fourth Edition* (Washington, D.C.: Nov. 2020).

¹⁸According to World Bank officials, the principle of 'universal eligibility'—grounded in the World Bank's Articles of Agreement—means that only bidders that are debarred or suspended by the World Bank, including through cross-debarment, or subject to UN sanctions are considered ineligible.

¹⁹The World Bank also recognizes sanctions applied by other multilateral development banks, a process known as cross-debarment. According to World Bank officials, the World Bank also permits borrowers to exclude entities in compliance with decisions of the UN Security Council taken under Chapter VII of the UN Charter.

²⁰Specifically, the Office of Suspension and Debarment determines initial sanctions for entities. Entities may appeal the decision of the Office of Suspension and Debarment to the World Bank Group Sanctions Board. The Sanctions Board is an independent administrative tribunal composed of seven external members who issue final decisions on sanctions cases.

United Kingdom, and European Union sanctions lists and are meant to help determine whether borrowers will be able to pay potential suppliers using international banking channels.

World Bank Borrower Project Risk Assessments

Prior to presenting a project to the Board for approval, the World Bank assesses the project's procurement risk, including the borrower's procurement capacity. World Bank staff use the Systematic Operations Risk-rating Tool (SORT) to evaluate and monitor borrower risk. SORT addresses 10 risk categories, one of which is fiduciary risk.²¹ Within SORT, fiduciary risk is a combination of procurement and financial management risks.²²

The World Bank documents the results of its risk assessment, as well as any related mitigation measures, in a Project Appraisal Document (PAD).²³ PADs are provided to the Board prior to its vote on each project. For approved projects, the World Bank generally publishes Implementation Status and Results (ISR) reports every six months. ISRs report on the implementation of projects and track project risks, which may change throughout project implementation. According to the World Bank, PADs and ISRs are required for all IPF projects.

U.S. Government Activities with the World Bank

Treasury's Office of International Affairs leads U.S. engagement with and has oversight responsibility for all multilateral development banks, including the World Bank. The USED represents U.S. interests on the Board. Commerce's International Trade Administration (ITA) also has key roles in U.S. and multilateral development bank relations, such as acting

²¹According to the World Bank, fiduciary risk is the risk that loan proceeds will not be used for the intended purposes. Other risk categories include political and governance, the technical design of the project or program, and environmental and social, among others. World Bank staff consider fraud and corruption risks as components of certain risk categories, including fiduciary risk. SORT includes a four-tier risk rating: low, moderate, substantial, and high.

²²According to the World Bank, financial management risk is the risk that the borrower lacks the capacity to maintain financial management arrangements that are acceptable to the World Bank and provide reasonable assurance that the loan proceeds are used for the intended purposes.

²³The PAD includes a project description and the World Bank's appraisal of the feasibility of the project.

as a liaison for U.S. businesses that compete for World Bank borrowers' contracts.²⁴

Federal law requires Treasury and Commerce to cooperate in efforts to improve opportunities for U.S. businesses for World Bank procurement.²⁵ Specifically, the law requires Commerce's procurement officer appointed within the office of the USED to take certain actions to promote World Bank borrower procurement opportunities to U.S. businesses.²⁶ ITA has an official detailed to the office of the USED responsible for advising businesses on World Bank procurement opportunities.

Executive Order 11269 provides Treasury the authority to approve World Bank actions on behalf of the U.S. and to instruct the U.S. representatives to the World Bank regarding proposed World Bank projects.²⁷ Within the Office of International Affairs, the Office of Development Results and Accountability leads Treasury's review of World Bank borrower projects to determine whether the project aligns with World Bank policy and U.S.

²⁴ITA also supports U.S. businesses that compete for World Bank and other multilateral development bank corporate procurement contracts. ITA has other responsibilities related to trade promotion and investment, including assisting U.S. businesses and workers to export and expand globally and ensure fair trade and compliance by enforcing U.S. trade laws and agreements. We have reported on U.S. government efforts to support U.S. exports, including ITA efforts. See GAO, *Economic and Commercial Diplomacy: State and Commerce Implement a Range of Activities, but State Should Enhance Its Training Efforts*, [GAO-22-104181](#) (Washington, D.C.: Dec. 13, 2021); GAO, *Economic and Commercial Diplomacy: State and Commerce Could Build on Efforts to Improve Coordination and Effectiveness*, [GAO-22-105860](#) (Washington, D.C.: June 9, 2022); and GAO, *Export Promotion: Commerce Should Improve Workforce Planning and Management of Its Global Market Unit*, [GAO-23-105369](#) (Washington, D.C.: May 11, 2023).

²⁵22 U.S.C. § 262s. Throughout this report, we use the term "U.S. businesses" to refer to businesses registered within the U.S., as reported in World Bank data. According to the World Bank, the country of supplier registration reported in World Bank data on borrower contract awards is the country where the supplier is incorporated, which may or may not reflect the actual country or countries of beneficial ownership.

²⁶The law also states that the USED should investigate complaints from U.S. businesses about the awarding of World Bank procurement contracts to ensure that all contract procedures and rules of the banks are observed and that United States firms are treated fairly. 22 U.S.C. § 262s.

²⁷Executive Order 11269 of 1966 established the National Advisory Council on International Monetary and Financial Policies and designated the Department of the Treasury as chair of the council. The order gives Treasury the authority to: (1) instruct U.S. representatives to international financial organizations and (2) approve, consent, or agree to an act in the World Bank that requires U.S. approval. See Exec. Order No 11269, *National Advisory Council on International Monetary and Financial Policies*, 31 Fed. Reg. 2813 (Feb. 17, 1966), as amended.

interests, such as whether projects are consistent with the requirements of various legal mandates. Treasury consults with other U.S. government agencies and determines whether the U.S. should support each project and directs the USED on how to vote.²⁸ The U.S. supports most World Bank borrower projects. According to Treasury, of the approximately 1,900 World Bank borrower projects that Treasury reviewed from FY 2019 through FY 2023, Treasury supported around 90 percent of those projects.

World Bank Guidance on Assessing Procurement Risk Aligns with Leading International Practices

The World Bank has developed guidance to assess procurement risks before projects are approved, and to monitor procurement risk throughout project implementation. As part of the guidance, World Bank staff are to evaluate borrower procurement capacity to conduct project procurement in line with the procurement framework. We found that the World Bank's guidance on assessing procurement risk aligns with leading international practices. However, reporting by the World Bank internal audit office and management identified challenges overseeing borrower procurement capacity and implementing new procurement processes, as well as steps to address those challenges. In addition, World Bank guidance on creating PADs recommends but does not require including details of procurement risk. We reviewed a nongeneralizable sample of PADs and found that those PADs described procurement risk with varying levels of detail.

The World Bank Developed Guidance on Assessing and Reporting on Procurement Risk

The World Bank Has Processes to Assess and Report on Procurement Risk

The World Bank has developed guidance and processes on assessing, mitigating, and monitoring various risks in IPF projects, including procurement risk. As part of the project development process, World Bank staff and borrowers are to determine key risks to each proposed project. According to World Bank officials, the World Bank assigns a

²⁸Specifically, Treasury can support, abstain from voting on, or oppose each project. According to Treasury officials, Treasury may abstain from voting on a project if they determine the project does not fully align with U.S. interests. Those officials also told us that Treasury may oppose a project if they determine the project has significant issues and is not aligned with U.S. interests. In most cases, if Treasury does not support a project, Treasury abstains from voting on the project rather than opposing it. Throughout this report, we refer to Treasury's decision to abstain from voting on or opposing projects as not supporting projects.

procurement specialist to each project to evaluate specific risks and determine a procurement risk rating for the project. In addition, according to World Bank guidance, the World Bank reassesses risk and tracks the performance of approved projects throughout their implementation.

According to World Bank guidance, procurement risk is reported as a component of SORT throughout the project lifecycle. For each project, World Bank staff are to use SORT to identify key project risks, identify mitigation measures, and assess the strength and reliability of those measures.²⁹ World Bank project managers, known as Task Team Leaders, are to aggregate risk information provided by specialists and document SORT risk ratings in the PAD.³⁰

According to World Bank officials, project managers receive training on applying SORT, identifying risks, and implementing mitigation measures. The World Bank has guidance for SORT, including instructions and examples on how to assess and report on risk and determine risk ratings. For example, the SORT guidance instructs procurement specialists to consider factors such as the client's regulatory and institutional capacity, the complexity of procurement, and the procurement process' efficiency.³¹

While procurement risks are identified and risk ratings are determined at the project level, officials told us project risk assessments also incorporate knowledge of risks specific to the country or implementing agency. For example, if a specific agency or office is implementing project

²⁹SORT risk ratings reflect a project's residual risk, which considers planned and actual mitigation measures and reflects whether the borrower has the capacity to achieve the project's expected outcomes. SORT risk ratings assess the specific risk to the project, rather than general country risks. SORT risk ratings also reflect the likelihood of the risk materializing and the effect on the project's goals if the risk does materialize.

³⁰The World Bank refers to all World Bank staff on a project as a task team. Each task team includes a task team leader who serves as the project manager. According to World Bank officials, the project manager reviews and approves the procurement risk assessment conducted by the procurement specialist.

³¹According to World Bank officials, more complex projects generally have a higher risk rating.

procurement, the risk assessment will focus on the capacity of that entity.³²

According to World Bank guidance, each project's procurement and financial management risk ratings are combined to determine a fiduciary risk rating. Using SORT, World Bank staff calculate procurement and financial management risks separately and combine them into a fiduciary risk rating based on project-specific details, according to World Bank officials.³³ Specifically, a project's procurement specialist determines a procurement risk rating, then coordinates with the project's financial management specialist to determine an overall fiduciary risk rating. To ensure staff have flexibility to make judgement-based risk determinations, there is no set formula for aggregating the procurement and financial management risk ratings, according to World Bank officials. For example, World Bank officials told us that staff may emphasize procurement risks for a project with high procurement risk and low financial management risk when determining the project's fiduciary risk rating.³⁴ Conversely, some projects have little procurement risk but significant exposure to financial and reporting risks. The project manager is responsible for approving the final fiduciary risk rating and documenting the decision in project documents.

The World Bank Has a System to Assess and Monitor Procurement Risk

The Procurement Risk Assessment and Management System (P-RAMS) is the World Bank's internal system for assessing and managing project procurement risk and recording borrowers' procurement performance

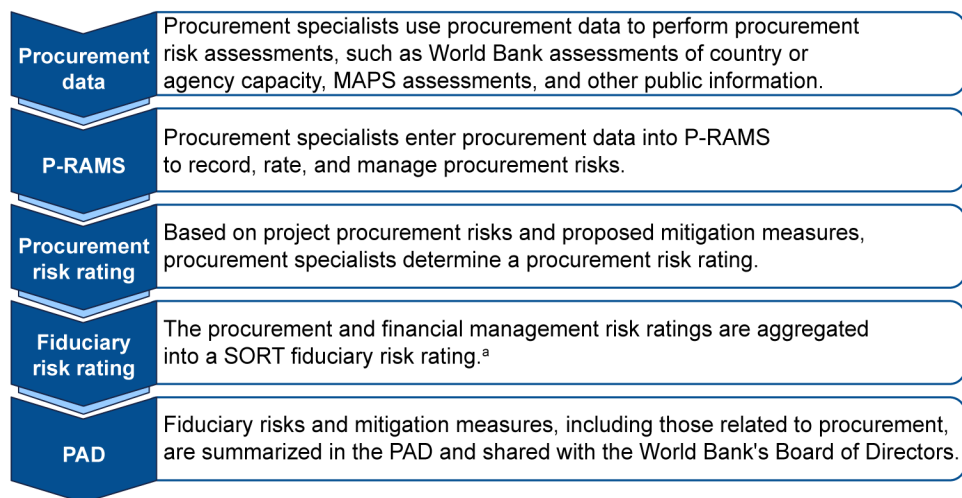
³²When there are multiple implementing agencies for a project, procurement specialists assess risks for each agency and then aggregate individual agency risks into a single risk rating, according to officials. However, procurement specialists also consider country-level procurement information that may affect the project.

³³SORT and the World Bank's Principles-Based Financial Management Manual provide guidance to assess financial management risk. For each project, World Bank financial management specialists assess the borrower's capacity to account for and report on project finances in an accurate and timely basis, according to officials. Financial management specialists may conduct country-level financial management assessments, and such assessments may be used to inform the financial management risk rating.

³⁴A risk rating of 'High' indicates that World Bank staff determined that project objectives will likely not be successful or may bring major unintended consequences despite planned mitigation measures. Risk thresholds vary for different types of procurement, such as civil works and consultant services.

throughout project implementation.³⁵ P-RAMS assessments focus on the client’s ability to follow the World Bank’s rules for procurement and are required for all IPF projects, according to World Bank officials. To complete a P-RAMS assessment, procurement specialists enter information related to each borrower and project into P-RAMS to compute a procurement risk rating that is aggregated into the SORT fiduciary risk rating.³⁶ Risk assessment results are summarized in PADs, which are shared with the Board.³⁷ Figure 1 shows the World Bank’s pre-project approval process for evaluating procurement risk.

Figure 1: Summary of World Bank Procurement Risk Assessment Steps



Legend: Methodology for Assessing Procurement Systems = MAPS; Project Appraisal Document = PAD; Procurement Risk Assessment and Management System = P-RAMS; Systematic Operations Risk-rating Tool = SORT.
 Source: GAO analysis of World Bank documents and interviews. | GAO-24-106718

^aAccording to World Bank officials, there is no set formula for aggregating the procurement and financial management risk ratings to ensure staff have flexibility to make judgement-based decisions.

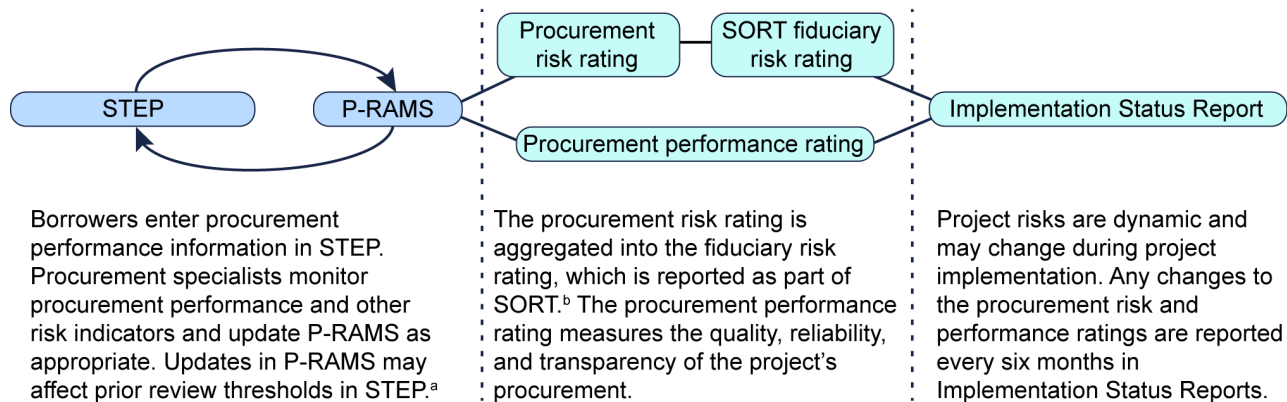
³⁵The P-RAMS risk model considers four factors: (1) Procurement Regulatory Framework and Management Capacity, (2) Integrity and Oversight, (3) Procurement Process and Market Readiness, and (4) Complexity of Planned Procurement. P-RAMS risk ratings are ranked on a four-tier scale: low, moderate, substantial, and high.

³⁶According to World Bank officials, procurement specialists draw from multiple sources, such as World Bank assessments of country procurement capacity, including MAPS assessments, external assessments of capacity or risk, and data from the World Bank’s procurement information tracking system, STEP, to create a procurement risk rating.

³⁷According to World Bank officials, some information is not available to the World Bank’s Board, including the systems used to assess risk and the associated guidance. For example, P-RAMS and its guidance are not available to the Board.

According to officials, World Bank procurement specialists also use P-RAMS to monitor how mitigation measures are implemented, overall implementation progress, and procurement performance for each project.³⁸ Specialists are to complete the first procurement performance assessment within three months of project approval by the World Bank Board. In addition, the World Bank reports a summary of risk assessments in PADs, and updates procurement performance ratings and fiduciary risk ratings every six months in ISRs. PADs and ISRs are automatically published on the World Bank project database upon approval by the Board. Figure 2 summarizes how the World Bank monitors procurement risk during project implementation.

Figure 2: Summary of World Bank Procurement Monitoring and Reporting Steps



Borrowers enter procurement performance information in STEP. Procurement specialists monitor procurement performance and other risk indicators and update P-RAMS as appropriate. Updates in P-RAMS may affect prior review thresholds in STEP.^a

The procurement risk rating is aggregated into the fiduciary risk rating, which is reported as part of SORT.^b The procurement performance rating measures the quality, reliability, and transparency of the project's procurement.

Project risks are dynamic and may change during project implementation. Any changes to the procurement risk and performance ratings are reported every six months in Implementation Status Reports.

Legend: Procurement Risk Assessment and Management System = P-RAMS; Systematic Operations Risk-rating Tool = SORT; Systematic Tracking of Exchanges in Procurement = STEP.

Source: GAO analysis of World Bank documents and interviews. | GAO-24-106718

^aSome borrower procurements require additional World Bank review and approval, a process known as prior review. Contracts subject to prior review are those that exceeded a certain dollar amount threshold based on the type of procurement, the procurement activity, and the risk assessed by the World Bank.

^bSORT addresses 10 risk categories, including fiduciary risk. Other risk categories include political and government risk, the technical design of the project or program, and environmental and social risk.

The World Bank Has Procedures to Help Borrowers Address Procurement Risk

During project development, the World Bank may identify mitigation measures to support borrower capacity and address project risks. Mitigation measures are tailored to projects on a case-by-case basis, according to officials. For example, the World Bank may require a third

³⁸Procurement performance measures the quality, reliability, and transparency of the project's procurement.

party, such as a multilateral organization, to implement projects or require borrowers to hire qualified staff, if necessary. Other examples of mitigation measures include engaging a private procurement agent to facilitate procurement or hiring third-party monitors.

If the World Bank determines that a borrower's capacity is inadequate during project design, procurement specialists may implement measures to strengthen the borrower's capacity, according to officials. For example, if the World Bank requires a borrower to have qualified procurement staff, in the case of a vacancy the World Bank may require the implementing agency to hire replacement staff. During project implementation, if procurement specialists identify increased procurement risk, the World Bank may increase oversight and expedite mitigation measures. According to World Bank officials, a project will not proceed if the World Bank and the borrower cannot identify mitigation measures that reduce risk to a level acceptable to the World Bank.³⁹

World Bank Guidance on Assessing Procurement Risk Aligns with Leading Practices, but Internal Reviews Identify Challenges

World Bank Guidance on Procurement Risk Aligns with Leading International Practices

The World Bank's guidance on assessing procurement risk aligns with leading international practices on assessing public procurement systems established by MAPS.⁴⁰ Specifically, we compared World Bank guidance

³⁹When a borrower's capacity cannot be raised to the World Bank's standards within the project timeline, submission of the project to the Board for approval may be delayed while the World Bank works with the borrower to strengthen its capacity before submitting the project to the Board for approval.

⁴⁰According to World Bank officials, an important distinction between MAPS and the World Bank's procurement assessment process is that MAPS assesses procurement systems at a country level while the World Bank assesses risk at the project level. However, according to MAPS, MAPS may be used to evaluate procurement systems at the national, sub-national, or local level. We determined that MAPS is appropriate criteria to evaluate the World Bank's procurement assessment process because of MAPS' international recognition, the World Bank's leading role in creating MAPS, and our analysis of similarities between the methodologies used by MAPS and the World Bank's process to assess procurement risk.

on assessing procurement risk and the MAPS indicators and found that the World Bank's guidance aligns with each of the MAPS indicators.

MAPS is an internationally recognized methodology designed to assess the quality and effectiveness of public procurement systems.⁴¹ MAPS was created by a multi-stakeholder group known as the MAPS Initiative, which includes the World Bank and other multilateral development banks, government agencies such as the U.S. Agency for International Development, the Organisation for Economic Co-operation and Development, and developing countries. The World Bank uses MAPS as a country-level procurement assessment tool and is a member of the MAPS Steering Committee, which supervises the MAPS Secretariat.⁴²

MAPS and the World Bank's guidance assess similar factors. For example, MAPS assesses the transparency and integrity of the public procurement system, and the World Bank assesses the borrower's internal and external controls for procurement, existing procurement audits, and processes for fraud and corruption risk management. However, while MAPS may be used to assess procurement systems at the national, sub-national, or local level, the World Bank's procurement risk assessment methodology evaluates capacity at the level of the project and the borrower agency that will implement the project, according to World Bank officials. For example, P-RAMS includes an assessment of the complexity of the project's procurement, while MAPS focuses on procurement systems as opposed to proposed and actual procurement. In addition, SORT includes an assessment of the borrower's capacity to conduct procurement, while MAPS assesses the entirety of a public procurement system. Table 1 compares MAPS pillars and World Bank guidance on assessing procurement risks.

⁴¹The MAPS assessment methodology consists of 14 indicators and 55 sub-indicators that evaluate the entirety of a public procurement system, including its connectivity to the public financial management system. The four principles that guided the 2018 MAPS revision are similar to some of the World Bank's procurement principles, such as value-for-money, transparency, and fairness. Among other goals, MAPS addresses the operational efficiency, transparency, and effectiveness of a procurement system.

⁴²As a member of the MAPS Steering Committee, the World Bank Group helps supervise and finance the MAPS Secretariat, which coordinates MAPS assessments. The World Bank was also involved in the 2018 revision of MAPS, which was guided by four principles: value-for-money, transparency, fairness, and good governance.

Table 1: Comparison of MAPS Pillars and Selected World Bank Guidance on Assessing Procurement Risk

MAPS Pillars	World Bank Guidance on Assessing Procurement Risk
Institutional & Legal Framework	
<p>Pillar 1: 'Legal, Regulatory, and Policy Framework' assesses the existing legal, regulatory, and policy framework for public procurement and identifies formal rules and procedures governing public procurement.</p>	<p>The World Bank guidance addresses the institutional and regulatory framework of the borrower's procurement system. The World Bank might consider whether:</p> <ul style="list-style-type: none"> • the regulatory framework is adequate, effectively applied, and supports the procurement principles; • authority and responsibilities are appropriately delegated; • acceptable standard procurement documents exist; and • the procurement process is efficient, promotes competition, and manages risks.
Procurement & Management Capacity	
<p>Pillar 2: 'Institutional Framework and Management Capacity' assesses the operational effectiveness of the procurement system, including in applying procurement law.</p>	<p>The World Bank guidance addresses the effectiveness of the borrower's procurement system. The World Bank might consider whether:</p> <ul style="list-style-type: none"> • the regulatory and institutional capacity is adequate to effectively conduct procurement; • the nature and complexity of planned procurement exceeds borrower capacity; • authority and responsibilities are appropriately delegated; • the day-to-day management of the procurement process is designed to effectively conduct procurement; and • the procurement system includes requirements for specialized skills.
Transparency & Oversight	
<p>Pillar 3: 'Public Procurement Operations and Market Practices' assesses the operational efficiency, transparency, and effectiveness of the procurement system at the level of the procuring entity.</p> <p>Pillar 4: 'Accountability, Integrity, and Transparency of the Public Procurement System' assesses the transparency and integrity of the public procurement system. For example, measures to address the potential for corruption should be in place, such as the participation of civil society in procurement.</p>	<p>The World Bank guidance addresses the transparency of the borrower's procurement system and oversight mechanisms in place. The World Bank might consider whether:</p> <ul style="list-style-type: none"> • integrity, transparency, and oversight arrangements ensure funds are used for the intended purpose. For example, whether fraud and corruption undermine the bid selection process; • the public procurement market may collude to increase prices. For example, whether conflicts of interest and unethical practices undermine procurement processes and outcomes; • adequate internal and external controls exist for procurement; • adequate processes for fraud and corruption risk management exist for procurement; and • existing procurement audits identify deficiencies.

MAPS = Methodology for Assessing Procurement Systems.
 Source: GAO analysis of MAPS and World Bank documents. | GAO-24-106718

We found that the World Bank’s guidance on assessing procurement risk aligns with all 14 MAPS indicators. Specifically, we compared the World Bank’s SORT guidance and officials’ description of P-RAMS against each of the 14 MAPS indicators and found that, for each MAPS indicator, the World Bank’s guidance addresses the indicator topic.⁴³ For example, MAPS includes an assessment of a procurement system’s capacity to develop and improve, such as providing training for procurement staff and evaluating outcomes of procurement to improve performance. Similarly, the World Bank’s guidance instructs procurement specialists to evaluate whether borrowers have qualified staff and effective feedback from oversight functions. Table 2 compares selected MAPS indicators and risk factors with examples from the World Bank’s guidance on assessing procurement risk.

Table 2: Selected Examples of MAPS Indicators and World Bank Guidance on Assessing Procurement Risk

MAPS Indicator	World Bank Guidance on Assessing Procurement Risk
Indicator 1: The public procurement legal framework achieves the agreed principles and complies with applicable obligations, such as national laws.	<p>The World Bank guidance addresses whether the borrower’s legal capacity is adequate to conduct procurement. The World Bank might consider whether a procurement system:</p> <ul style="list-style-type: none"> • complies with applicable procurement laws and • supports core public procurement principles.
Indicator 5: The country has an institute in charge of an independent and effective normative/regulatory function for public procurement.	<p>The World Bank guidance addresses whether the borrower’s normative/regulatory function for public procurement is independent and effective. The World Bank might consider whether:</p> <ul style="list-style-type: none"> • the borrower’s institutional and regulatory capacity is adequate to effectively conduct procurement. For example, whether political interference impedes the procurement process and whether the procurement system is sufficiently staffed with the right skills to effectively conduct procurement.
Indicator 10: The public procurement market is fully functional.	<p>The World Bank guidance addresses whether the market for planned procurement is fully functional. The World Bank might consider whether:</p> <ul style="list-style-type: none"> • the public procurement market may collude to increase prices on the client. For example, whether the perception of the borrower as high risk or unattractive deters participation and/or increases prices and conflicts of interest and unethical practices undermine procurement processes and outcomes.

⁴³In addition, for MAPS indicator 4, which is focused on the integration of procurement and financial management systems, we also reviewed the SORT guidance on financial management risk and the World Bank’s Principles-Based Financial Management Manual.

MAPS Indicator

Indicator 13: Procurement appeals mechanisms are effective and efficient and contribute to the integrity of the public procurement system.

World Bank Guidance on Assessing Procurement Risk

The World Bank guidance addresses whether procurement appeals mechanisms are effective and ensure the integrity of the procurement system. The World Bank might consider whether:

- oversight arrangements, including handling of complaints, are adequate. For example, whether handling of procurement complaints encourages market participation and selection of the best suppliers and internal and external oversight functions provide efficient feedback.

MAPS = Methodology for Assessing Procurement Systems.

Source: GAO analysis of MAPS and World Bank documents. | GAO-24-106718

World Bank Reviews Describe Challenges Related to Oversight of Procurement Capacity and Offer Related Recommendations

Audits by the World Bank Group Internal Audit (GIA) suggest there are limitations to the World Bank's oversight of borrower procurement.⁴⁴ For example, a 2023 GIA review of the World Bank's controls of fraud and corruption risk in IPF projects identified several issues related to managing those risks. Specifically, while GIA found that the World Bank's controls enable management to respond to emergent fraud and corruption risks, it also identified issues related to reporting fraud and corruption risks in project documents, consideration of fraud and corruption risks at the country portfolio level, communication to borrowers of their obligations for managing fraud and corruption risks, and tracking procurement managers' review of complaints.⁴⁵ GIA recommended the World Bank to enhance the recording and tracking of integrity concerns. According to the World Bank, management is working to enhance their procedures for recording of integrity concerns and plans to finalize them by the end of FY 25.

⁴⁴The World Bank Group Internal Audit is an independent and objective function that assesses whether processes for managing and controlling risks to achieve the World Bank's goals are adequately designed and operating effectively. During fiscal year 2023, the Group Internal Audit completed 27 reviews that covered a range of World Bank activities, including procurement. See Group Internal Audit, *2023 Annual Report* (Sept. 2023).

⁴⁵Group Internal Audit, *2023 Annual Report*.

In addition, a 2023 GIA review of “Bank Facilitated Procurement” during the COVID-19 pandemic identified issues related to the process.⁴⁶ For example, GIA found that the World Bank had not fully defined its monitoring and oversight mechanism for Bank Facilitated Procurement and had not fully defined and adequately communicated some procurement processes to World Bank staff and borrowers. According to World Bank officials, these processes were implemented in response to COVID-19. GIA recommended the World Bank develop detailed guidance and clear processes for future cases when Bank Facilitated Procurement may be used again, and World Bank management implemented this recommendation.

In 2022 the World Bank conducted a review to assess the first five years of implementation of the procurement framework. The review identified both successes of the framework’s effect on borrower procurement and challenges in the framework’s implementation.⁴⁷ Specifically, the review identified that the revised procurement framework enhanced borrower procurement capacity, as evident by gains in high-value, complex contracts and less time to complete procurement (i.e. turnaround time). However, the review also found that some borrowers still favor low-cost procurement methods over value-for-money approaches.⁴⁸ According to the review, the World Bank plans to strengthen borrower application of value-for-money award decisions, accelerate borrower implementation of evaluation criteria to assess non-price attributes during bid evaluation, and develop a methodology to inform future assessment of the framework’s impact on achieving value-for-money. According to World

⁴⁶Group Internal Audit, *2023 Annual Report*. The World Bank introduced ‘Bank Facilitated Procurement’ during the COVID-19 pandemic to help borrowers access international markets and procure medical goods. As of April 2024, Bank Facilitated Procurement is incorporated into the Procurement Framework and may be used to provide procurement implementation support to borrowers in emergency situations. In non-emergency situations, the World Bank’s procurement framework defers procurement responsibility to borrowers.

⁴⁷World Bank, *Procurement in World Bank Investment Project Financing: Review of Results After Five Years of Implementation of the Procurement Framework FY17 to FY21* (April 20, 2022).

⁴⁸The World Bank defines value-for-money as the effective, efficient, and economic use of resources, which requires an evaluation of relevant costs and benefits, along with an assessment of risks, and non-price attributes or life cycle costs as appropriate. According to the World Bank, fit-for-purpose procurement determines the most appropriate approach to meet the project development objectives and outcomes, accounting for the context and the risk, value, and complexity of the procurement. In contrast, low-cost procurement determines contract awardees based on the lowest evaluated price from a qualified bidder.

Bank officials, the World Bank has strengthened borrower application of value-for-money and accelerated borrower implementation of evaluation criteria, and plans to develop a methodology to inform future investments.

World Bank Guidance Recommends Disclosure of Procurement Risks, but Allows for Varied Reporting

PADs and ISRs include standard sections that disclose procurement risks, but we found that the extent of reporting on these risks and the associated mitigation measures varied. According to World Bank guidance, PADs describe project objectives, implementation arrangements, and expected results. PADs also inform the Board's decisions on project approval, financing, and loan agreements, and serve as the main document of reference for stakeholders and the public.

The World Bank guidance for preparing PADs indicates that PADs should contain six sections and an annex that describe project-specific information, such as key risks and monitoring plans.⁴⁹ PAD guidance instructs staff to describe project-specific fiduciary concerns, including those relating to procurement. PAD guidance also instructs staff to summarize procurement-related topics, including applicable procurement regulations, proposed procurement approaches, and oversight and monitoring arrangements. Each PAD should also contain an annex for the implementation arrangements and support plan, according to the PAD guidance. Additional annexes on specific topics may be added to provide further information. According to World Bank officials, World Bank guidance for preparing PADs is not mandatory and staff may deviate from the guidance.

We reviewed a nongeneralizable sample of 14 PADs to determine the degree to which they contained information noted in the guidance, including fiduciary, procurement, and financial management risks. We reviewed each of the PADs against World Bank guidance on developing PADs. We found that 13 of 14 PADs followed the template provided in World Bank guidance. The remaining PAD was for a COVID-19 emergency response project, which World Bank officials told us used a streamlined PAD template developed during the COVID-19 pandemic. We reviewed that project's PAD against the streamlined template and found that it did not include the section meant to describe the project's plan to incorporate learning from the pandemic. However, the PAD noted

⁴⁹The PAD guidance template indicates that a seventh section may be included when applicable. We did not review PADs for this section. World Bank guidance—including guidance for preparing PADs—reflects management's recommendations or expectations and is not mandatory, according to World Bank guidance and officials.

the project was approved as a stand-alone project outside of the pandemic response.

We reviewed each PAD to determine whether they discussed procurement and financial management risk, the two components of fiduciary risk. We also reviewed each PAD to determine how procurement risks and mitigation measures were reported. We found that:

Procurement Risk. 13 of the 14 PADs discussed procurement risk. The remaining PAD did not assess procurement risk due to project-specific circumstances. Specifically, the project funded income support and therefore had no procurable expenses.

Of the 13 PADs that discussed procurement risk, the format and detail of discussion of risks and mitigation measures varied. For example, some PADs outlined the actor responsible for implementing a mitigation measure and a timeline for implementation, while others did not clearly identify who should implement a measure, or the timeline.⁵⁰ Specifically:

- Three PADs included a table that discussed risks and mitigation measures, and clearly outlined the actor responsible for implementing the mitigation measure, and timelines for implementation.
- Three PADs included a similar table that discussed risks and mitigation measures, but in some instances did not clearly outline the responsible actor or timelines.
- The remaining seven PADs provided information on risks and mitigation measures in paragraph format, but details on responsible actors varied and none clearly outlined the timeline for implementation for all mitigation measures.

The level of detail of procurement risks and mitigation measures also varied among PADs for projects with a similar level of procurement risk. For example, among projects with a substantial procurement risk rating, the discussion of procurement risks and mitigation measures varied from

⁵⁰For example, some PADs identified specific agencies or units responsible for implementing mitigation measures, while others only identified that the borrower is responsible or stated that a mitigation measure should occur without identifying a responsible agency. Additionally, some PADs stated that mitigation measure should occur within a specific timeframe, by a project milestone, or on an ongoing basis, while others did not identify a timeline for implementation.

detailed tables to paragraphs that did not clearly outline the responsible actor and timelines.

Procurement risk and mitigation measures were disclosed in different sections of PADs. Specifically, seven of the PADs disclosed procurement risks and mitigation measures in the annex for the implementation arrangements and support plan, one PAD disclosed the information in a procurement-specific annex, and the remaining five PADs disclosed the information either in the body of the PAD, or in multiple locations.

Financial Management Risk. 13 of the 14 PADs discussed financial management risk. The remaining PAD did not assess financial management risk due to project-specific circumstances. Specifically, the project was implemented by the World Health Organization, including financial management, and therefore there was no financial management risk related to the borrower.⁵¹

We also reviewed available ISRs for each of the 14 projects in our nongeneralizable sample and found that the ISRs consistently disclosed the project's fiduciary rating. Within our sample, the fiduciary risk rating decreased for three projects and increased for three projects over the course of the project's implementation. The ISRs that documented the rating changes provided brief descriptions of fiduciary-related or overall project risks, challenges, or successes that may have impacted the fiduciary risk score. According to World Bank officials, fiduciary risk may change due to multiple circumstances, such as borrower compliance with legal covenants, strength of internal controls, or changes in borrower capacity.

According to the World Bank, publicly available versions of PADs are published on the World Bank project database for each project. According to officials, information is rarely excluded from PADs and ISRs, but may be removed due to space constraints or technical complexity. The World

⁵¹Specifically, the World Health Organization implemented a COVID-19 Emergency Response project in Iran. According to the World Bank, Iran has not received a World Bank loan since 2005 in part due to international sanctions; however, the World Bank distributed loans through the World Health Organization as part of the World Bank's COVID-19 Emergency Response Program to combat the spread of COVID-19 in Iran. According to the World Bank, while it is not strictly subject to the United Nations Security Council Resolutions or bilateral sanctions, it acts in accordance with United Nations Security Council sanctions because World Bank shareholders are bound by them. The World Bank may employ third parties, such as United Nations agencies, to implement projects in sanctioned countries or countries that do not have a functioning government, such as Afghanistan and Yemen, according to officials.

Bank also does not provide access to information whose disclosure could cause harm to specific parties or interests. For example, the World Bank does not generally provide access to documents that contain personal, deliberative, or financial information.

Borrowers and the World Bank Screen Potential Suppliers against Debarment and Sanctions Lists

Borrowers are Required to Screen Potential Suppliers against the World Bank's Debarment List

The World Bank requires that borrowers screen potential suppliers for eligibility against the World Bank's list of debarred firms and individuals.⁵² Specifically, borrowers are required to screen potential suppliers for eligibility after receiving bids.⁵³ According to World Bank guidance, borrowers should verify the eligibility of bidders, including all members of joint ventures, listed subcontractors, and personnel. To verify eligibility, borrowers are first expected to use the World Bank's listing of ineligible firms and individuals to manually search for businesses.⁵⁴ The borrower is prohibited from signing contracts with any businesses that they identify on the listing.

For each procurement, the borrower is to enter information about the potential suppliers that submitted bids into the World Bank's information management system, STEP. When entering information about potential suppliers, borrowers may search STEP for suppliers previously entered in the system or manually enter new supplier information. If a supplier is identified in STEP as being on the debarment list, the borrower is not able

⁵²Throughout this report, we use the term "potential suppliers" to refer to businesses that submitted a bid on a procurement opportunity.

⁵³Borrowers should also screen potential suppliers during other key stages of the procurement process.

⁵⁴<https://www.worldbank.org/en/projects-operations/procurement/debarred-firms>. The World Bank recommends that borrowers search for only a portion of an entity's name to allow for a higher chance of finding entities with similar names to the queried entity. The World Bank also maintains a list of suspended firms, which borrowers query in STEP alongside the debarment list. The list of suspended firms is not available publicly. According to the World Bank, with the agreement of the World Bank, borrowers may also exclude entities under legal sanction of debarment in the borrower country due to fraud or corruption.

to select that supplier. For procurements that require additional World Bank oversight, the World Bank is to review and approve the borrower's proposal, including the choice of supplier.⁵⁵ For procurements that do not require additional oversight, the World Bank selects a sample of procurements to review after the award to determine whether the borrower followed all requirements, such as excluding debarred suppliers.

According to the World Bank, after a contract is awarded to a supplier, the World Bank automatically performs a daily screening against the debarment list using the information entered by the borrower in STEP. Screening in STEP relies on information entered by the borrower.⁵⁶ According to World Bank documentation, borrowers are not required to report on awards to subcontractors.⁵⁷

The World Bank Screens Proposed Suppliers Using International Sanctions Lists

According to World Bank officials, the World Bank screens borrower contract award recommendations using its Anti-Money Laundering and Countering Financing of Terrorism and Sanction policies and procedures. Officials told us that those policies and procedures require that the World Bank screen award recommendations against sanctions lists, including those maintained by the U.S., United Kingdom, and European Union. The World Bank screening is performed automatically through STEP using information provided by the borrower.

According to the World Bank, if the World Bank identifies that a proposed supplier may be on a sanctions list, the World Bank may perform additional due diligence to make a final determination. If the World Bank determines that a proposed supplier is on a sanctions list, the World Bank

⁵⁵Some borrower procurements require additional World Bank review and approval, a process known as prior review. Contracts subject to prior review are those that exceeded a certain dollar amount threshold based on the type of procurement, the procurement activity, and the risk assessed by the World Bank. The thresholds may be lower for specific countries, sectors, or projects.

⁵⁶The World Bank requires borrowers to enter data into STEP, but the World Bank does not guarantee the accuracy of data entered by borrowers. World Bank officials told us that borrowers are responsible for the accuracy of data entered into STEP, and that the World Bank verifies borrower data for some contracts that require additional World Bank oversight.

⁵⁷This issue is not limited to the World Bank, and we have previously reported on this challenge in the U.S. government. See GAO, *Defense Procurement: Ongoing DOD Fraud Risk Assessment Efforts Should Include Contractor Ownership*, [GAO-20-106](#) (Washington, D.C.: Nov. 25, 2019) and GAO, *Ukraine: State and USAID Should Improve Processes for Ensuring Partners Can Perform Required Work*, [GAO-24-106751](#) (Washington, D.C.: July 31, 2024).

informs the borrower that (1) the World Bank is not able to issue a direct payment (on behalf of the borrower) to a potential awardee, and (2) the borrower may not be able to process the payment themselves. The borrower may arrange to pay the potential supplier directly, or request to revise its recommendation for the contract award and award the contract to the next-ranked bidder. According to the World Bank, after a contract is awarded to a supplier, the World Bank automatically performs a daily screening against the sanctions list using the information entered by the borrower in STEP.⁵⁸

Selected U.S. Businesses Reported Challenges Competing for Borrower Contracts, and Mixed Experiences with U.S. Agency Assistance

We selected and interviewed a nongeneralizable sample of 15 U.S. businesses from different sectors to obtain their perspectives on competing for World Bank borrower contracts. We also selected and interviewed three trade associations whose members include the type of businesses that may compete for these contracts.⁵⁹ All businesses we interviewed expressed that they faced challenges when competing for World Bank borrower contracts, and some said they may not compete in the future due to their experiences. Businesses that engaged with U.S. agencies for help with competing for contracts reported mixed experiences.

⁵⁸We previously found that from calendar years 2017 through 2021, World Bank borrowers awarded 28 contracts to entities that may have been on selected U.S. sanctions and other lists of parties of concern, such as export control lists. These 28 contracts—worth around \$76 million—were out of approximately 150,000 contracts worth around \$80 billion that we reviewed in our analysis. Of those 28 contracts, 15 may have been awarded to entities on the Treasury Office of Foreign Assets Control sanctions lists, which World Bank officials told us are used as part of the World Bank’s Anti-Money Laundering and Countering Financing of Terrorism and Sanction screening procedure. World Bank officials confirmed that six of those contracts were awarded to entities on Office of Foreign Assets Control sanctions lists. See [GAO-23-105543](#).

⁵⁹We selected and interviewed a nongeneralizable sample of U.S. businesses that were awarded borrower IPF contracts between CY 2017–CY 2021 based on our analysis of contract award data for [GAO-23-105543](#). To provide insight across the World Bank procurement categories, we selected four companies for each of the procurement categories—Civil Works, Consultant Services, Goods, and Non-consulting Services—for a total of 16 companies. However, we were unable to interview a Civil Works business. Therefore, we interviewed a trade association that represents engineering businesses that compete for borrower contracts. We conducted semi-structured interviews based on a set of questions developed from initial interviews with three businesses and the three trade associations. Not all businesses in our selected sample and the three trade associations provided responses to all questions.

All Selected U.S. Businesses Interviewed Reported Challenges Competing for Borrower Contracts

U.S. Businesses Reported Challenges Competing for Borrower Contracts

All U.S. businesses we interviewed reported that they faced challenges competing for borrower contracts, often due to type of procurements favored by borrowers, and borrowers' capacity. Additionally, some businesses said the World Bank provided minimal oversight over borrowers' procurement including bidding and implementation, even when problems arose. According to World Bank officials, businesses' perceived challenges may be because the types of procurements financed by the World Bank are usually in complex global operating environments and thus inherently challenging. Table 3 summarizes the types of challenges that U.S. businesses told us that they faced.

Table 3: Challenges Identified by Selected U.S. Businesses with Selected Examples

Challenges Identified by U.S. Businesses	Selected Examples of the Challenge
Procurement type	Borrowers often prefer low-cost procurements, despite the revised World Bank procurement framework that encourages more options such as value-for-money procurements.
Quality and specificity of project procurement type	Borrowers' project proposals may not provide sufficient information in the project documents, to allow bidders to estimate costs and develop comprehensive bids accurately.
Procurement transparency and integrity	Borrowers may write project proposals to favor a particular business.
Borrower capacity	Borrowers may not have the capacity to conduct technical evaluations for projects involving engineering, software, or advanced technology.
World Bank oversight of borrower procurements	World Bank officials may at times be reluctant to be involved when businesses contact them about concerns with borrowers' procurement processes.

Source: GAO analysis of interviews with selected U.S. businesses. | GAO-24-106718

Procurement Type

Ten of the 15 U.S. businesses and two trade associations we interviewed stated that borrowers often prefer low-cost procurements, despite the

revised World Bank procurement framework that encourages more options such as value-for-money procurements.⁶⁰ Two businesses that provide consulting services said that qualifications-based procurements are more common for consulting contracts, and they do not compete for low-cost procurements.

According to two trade associations, U.S. businesses are typically more competitive on value-for-money procurements because they compete heavily on their qualifications and experience, which may result in higher bid prices. According to one business, borrowers, which are largely low-income and middle-income countries, may be reluctant to do value-for-money procurements that typically cost more upfront than low-cost procurements. Further, according to one trade association we interviewed, U.S. engineering businesses do not bid on contracts that are not designed in line with U.S. licensing requirements or call for design standards that a U.S. business is not comfortable with. This trade association stated that there are reputational risks if a project has problems, and any poorly executed project could damage the reputation of a business and affect its ability to compete for other contracts. Another business that competes for technical contracts said that it does not bid on low-cost procurements, as it does not want the responsibility to deliver a complex technical project for a low price that may not cover the costs to deliver.

One trade association and one business we interviewed stated that some projects may be more suitable for value-for-money than low-cost procurements. For example, the trade association stated that upfront design engineering costs are a small percentage of total costs but have a significant effect on construction and maintenance costs. Therefore, according to this trade association, all project lifecycle costs should be considered upfront. A business that competes for projects involving advanced technologies stated that implementing technologies can be more expensive but could later reduce operational costs. As a result, the project's overall costs could be lower with a value-for-money procurement

⁶⁰The other five businesses and one trade association provided no comment. Low-cost procurements refer to procurements where the primary selection criterion is the lowest bid price. Value-for-money procurements can include assessments of a project's total lifecycle costs that involve all costs in a project's design, construction, operations, and maintenance. Procurements can also be qualifications-based, in which selection criteria includes a company's expertise and experience in completing projects; or quality and cost-based, which includes selection criteria where a percentage is allotted to a bidder's qualifications and bid price.

than an initial low-cost procurement that later incurs additional operations costs.

Quality and Specificity of Project Proposal Documents

Eight out of the 15 U.S. businesses and one of the three trade associations we interviewed had concerns about the quality of borrower project proposals. Specifically, some of these respondents raised concerns about the proposals' level of detail, which affected decisions to compete.⁶¹ One business stated that borrower project proposals may not provide sufficient information in the project documents, such as details on where equipment should be installed, so bidders could estimate costs and develop comprehensive bids accurately. Another business stated that borrower project proposals may have requirements that make it difficult to meet the expected budget. According to one trade association, poorly defined project proposals require additional upfront costs that are borne by bidders. Six businesses said they had no concerns with the quality of project proposals for which they competed. One business said proposals that have a defined formula, such as a technical score, provide borrowers rigid evaluation criteria to select bids.

Procurement Transparency and Integrity

Seven of the 15 U.S. businesses and one of the three trade associations we interviewed said that they had concerns about the transparency of procurements in which they were involved.⁶² For example, one business said project proposals define technical and cost criteria but may not specify how the technical and cost evaluations were to be completed and how the supplier would be selected. Eight businesses had concerns about the integrity of procurements and expressed their belief that project proposals were written to favor a particular business.⁶³ Seven of the 15 businesses and one of the three trade associations said that they believe corruption existed in procurements in which they were involved.⁶⁴ For example, one business said that it was asked to provide a bribe, and another business said it was told by the borrower to buy products from a specific vendor. Four out of the 15 businesses said that there was

⁶¹Seven businesses and two trade associations provided no comment.

⁶²Eight businesses and two trade associations provided no comment.

⁶³Seven businesses and all three trade associations provided no comment.

⁶⁴Eight businesses and two trade associations provided no comment.

sufficient transparency and integrity in the procurements.⁶⁵ One business said that procurement documents have been systematically and publicly disclosed since the World Bank established STEP in 2016.

Seven out of the 15 businesses suggested improvements to increase transparency and integrity of procurements.⁶⁶ For example, one business said there could be more quality-based procurements in which borrowers first evaluate and rank technical proposals and then negotiate price. This approach would make bidders that score low on the technical evaluation less competitive and improve transparency, according to this business. Another business said that it would like to see more objectivity in the scoring process by having technical bids evaluated first and financial bids second, with financial bids entered in a fixed electronic system. In this way, according to the business, there would be less opportunity to change the financial bid after the technical evaluation is completed. Another business said that more detailed technical information in project proposals could result in more transparency with the technical evaluation. This business also said that information about a business' experience in executing projects should be required. For example, the business noted that a dam building contract should require experience building dams, rather than general construction experience.

One business stated that the revised World Bank procurement framework is an improvement because it requires borrowers to make results of contract awards public and includes a formal complaint mechanism. Two other businesses suggested additional improvements, including requiring borrowers to provide more details on contract award selection and how technical evaluation results were derived.

Borrower Capacity

Eleven of the 15 U.S. businesses and one of the three trade associations we interviewed said that borrower capacity for procurements varied.⁶⁷ Four of these businesses and the one trade association said borrowers may not have the capacity to conduct technical evaluations for projects involving engineering, software, or advanced technology. For example, one business stated that borrowers without a high capacity for technical

⁶⁵All three trade associations provided no comment.

⁶⁶Eight businesses and all three trade associations provided no comment.

⁶⁷Four businesses and two trade associations provided no comment.

evaluations may do “grade inflation” for the technical score, resulting in significantly different technical proposals scored closely together. As a result, according to this business, a poorer technical proposal with a slightly lower bid may win over a more technically robust proposal. In addition, two businesses said that borrowers may not have the capacity for value-for-money procurements that involve assessing a project’s total costs, which may span multiple years. According to one business and one trade association, it may be simpler for a borrower to do a low-cost procurement in which the bid price is the primary selection criteria.

Businesses stated that borrower staff turnover on a project can affect the borrower’s capacity to execute procurements. For example, two businesses stated that borrower staff turnover can delay a project as new staff are recruited and trained. Another business stated that World Bank staff can rotate on and off projects every three to five years, and, as a result, newer staff are less able to support the borrower, because they have less familiarity with the details of the project. On the other hand, three out of the 15 businesses said they saw no issues with borrower capacity.⁶⁸

World Bank Oversight of Borrower Procurements

Eight of the 15 U.S. businesses we interviewed raised concerns about the World Bank’s oversight over the procurement and implementation of projects in which they were involved, even when issues with borrowers arose. Four of these businesses said that they contacted World Bank officials about issues but that these officials were reluctant to be involved. An additional four businesses said the World Bank provided minimal oversight over borrower procurements but did not provide specific examples. Five of the 15 U.S. businesses we interviewed said the World Bank provided sufficient oversight for the procurements in which they were involved.⁶⁹ One of these businesses said that World Bank staff are required to approve a procurement at different phases, which provides quality checks during the procurement process. Another business said it was apparent that many of the borrower staff had been trained in World Bank procurement policies.

⁶⁸All three trade associations provided no comment.

⁶⁹Ten businesses and all trade associations provided no comment. One of the five businesses said that the World Bank provided sufficient oversight of the implementation of the project.

Some U.S. Businesses
Concerned About Contract
Awards Filed Bid Protests

Three businesses and two trade associations suggested improvements to address capacity issues, and seven businesses and no trade associations suggested improvements to World Bank oversight.⁷⁰ One business said that the World Bank could develop more guidance, such as step-by-step guidelines for borrowers on how to execute procurements. One business and two trade associations said there should be more consulting services with technical expertise to assist borrowers in projects. One business suggested there could be greater coordination among World Bank staff across projects and regions to share knowledge and lessons learned to address issues. One business and one trade association suggested more training for borrowers.⁷¹

Eight of the 15 U.S. businesses we interviewed had concerns about the selection of contract awards and four of these businesses had filed a bid protest with the borrower.⁷² All four of the businesses that filed a bid protest said the bid protest process was not transparent or fair and that the World Bank deferred to the borrower's award selection. One of these businesses also made a complaint to the World Bank's Integrity Vice Presidency about potential corruption in a procurement. That business said the complaint process was cumbersome and not worth the time.

In addition, the four businesses that had concerns but did not file a bid protest said that they made inquiries to the borrower or World Bank on the selection of the contract award. For example, one business asked a World Bank official to explain why higher technical scores were given to other bidders. The business did not file a bid protest, despite not being satisfied with the official's response. Another business said that many contracts are too small to bother filing a bid protest, which is expensive and does not look good publicly.

⁷⁰Twelve businesses and one trade association provided no comment on improvements to address capacity issues and eight businesses. All three trade associations provided no comment on improvements to World Bank oversight.

⁷¹The World Bank and the U.S. Trade and Development Agency provide training for borrowers.

⁷²Six businesses and all three trade associations provided no comment.

More than Half of U.S. Businesses Interviewed Said They May Not Bid on Future Borrower Contracts

Eight of the 15 U.S. businesses we interviewed said they may not bid on future borrower contracts based on their past experiences.⁷³ One of these businesses said they will no longer bid on borrower contracts because borrowers seem to prefer to award contracts to domestic businesses. In a May 2023 report, our analysis of World Bank data found that U.S. businesses bid on about one percent of all World Bank-financed borrower contracts from FYs 2013 through 2022.⁷⁴ Our analysis of World Bank data for that report also found that borrowers awarded around one percent of total contract dollars to U.S. businesses during the same period. In many instances, U.S. business did not bid on higher value contracts, such as construction projects. However, we found that when U.S. businesses submitted bids (often for consultant services), those businesses were awarded contracts about 70.5 percent of the time.⁷⁵ Business's comments about their plans to bid on future World Bank funded contracts appear to align with our prior findings. One business we interviewed said that it will not compete again given its perception that contract awards are pre-determined. Another business we interviewed said that it is difficult to bid on contracts that are challenging to win and implement, and time is better spent competing for other contracts.

Selected U.S. Businesses We Interviewed Reported that U.S. Agency Support Competing for Borrower Contracts Was Mixed

U.S. Agencies Provide a Variety of Support to U.S. Businesses Competing for World Bank Borrower Contracts

Three entities at two U.S. agencies provide services to assist U.S. businesses competing for borrower contracts. Treasury and the USED advocate on behalf of U.S. businesses to ensure a fair and equitable

⁷³Seven businesses and two trade associations provided no comment.

⁷⁴We found that on average borrowers awarded approximately 78 percent of contracts to domestic businesses and approximately 22 percent to international businesses from FY 2013 through 2022. See [GAO-23-105543](#).

⁷⁵See [GAO-23-105543](#). U.S. businesses may use foreign subsidiaries to win World Bank borrower contracts or may receive subcontracts from winners of borrower contracts. However, the World Bank neither systematically collects information on the beneficial ownership of all businesses that win borrower contracts, nor collects information on subcontracts. As a result of these limitations, data on borrower contract awards to U.S. businesses may be over or underestimated.

World Bank procurement system. Commerce provides information on project opportunities and advice on how to bid on borrower contracts.

- **Treasury.** Treasury advocated for the revised World Bank procurement framework that includes value-for-money procurements that benefit U.S. businesses. For example, Treasury advocated for the expanded use of non-price criteria such as life-cycle costing, product reliability, and after-sales services as part of bid selection criteria. Treasury also advocated for increased training for borrowers and World Bank staff to enhance their technical capacity to do value-for-money procurements. In addition, according to Treasury, Treasury has cooperated with Commerce to improve opportunities for U.S. businesses. For example, Treasury has worked with Commerce on the Partnership for Global Infrastructure initiative, which could provide borrower contract opportunities for U.S. businesses. Treasury has also supported the Innovative Finance Facility for Climate in Asia and the Pacific, established in May 2023, which focuses on mobilizing private investment in infrastructure including investment from U.S. businesses. In addition, according to Treasury, Treasury held a 4-day conference with major institutional investors to identify barriers and potential solutions to mobilize more private investment in infrastructure.
- **USED.** The USED has a mandate to thoroughly investigate any complaints from U.S. bidders regarding contract awards to ensure that World Bank rules and contract procedures were observed, and that U.S. businesses were treated fairly. According to an ITA official, the office of the USED has staff to monitor complaints, track progress, and provide reporting and statistics. The office of the USED has also developed a list of arbitrators that can assist U.S. businesses to address complaints.
- **Commerce.** The ITA official detailed to the office of the USED is a liaison to the U.S. business community. This official provides information on project opportunities and advice on competing for borrower contracts through guidance documents, webinars, in-person information sessions, and training.⁷⁶ For example, the official publicizes borrower contract opportunities to U.S. businesses and ITA

⁷⁶According to an ITA official, beginning in March 2021, ITA permanently staffed the position of World Bank liaison. The role includes both acting as the liaison to the World Bank and overseeing the liaisons with other multilateral development banks. Prior to the change in 2021, the role was filled by detailed ITA officials or Foreign Commercial Service Officers that served time-limited terms. Treasury and other federal agencies also detail officials to the office of the USED.

U.S. Businesses that Engaged
with Agencies Reported Mixed
Experiences

bureaus located in the U.S. and at embassies in borrower countries. The official conducts outreach activities including information sessions to U.S. businesses, presentations at trade events, and round tables with chambers of commerce, and training webinars. For example, the official has provided a series of five training webinars on how to do business with the World Bank and bid on World Bank-financed contracts. The official also provides ad hoc advice to individual businesses that want to compete for borrower contracts and facilitates meetings with World Bank officials to address U.S. businesses' questions and concerns. ITA officials posted at U.S. embassies overseas also advise individual businesses and facilitate meetings with local officials.

- **Treasury.** One of the 15 U.S. businesses we interviewed told us that they attended a trade event hosted by Treasury.⁷⁷ This business said that they provided Treasury their experiences competing for borrower contracts but did not have formal or consistent interactions with Treasury officials and provided no comment on their experience.
- **USED.** Six of the 15 U.S. businesses and all three trade associations we interviewed told us they sought assistance from the office of the USED but reported mixed experiences.⁷⁸ Two of the 15 U.S. businesses and one trade association said they had positive experiences working with the office of the USED.⁷⁹ The trade association that had a positive experience said officials from the office of the USED were effective in getting a quick response from World Bank officials when issues arose. One business said that officials from the office of the USED connected it to ITA Foreign Commercial Service Officers in a specific country and as a result the business is planning to work in that country. Another business that filed a bid protest said that officials from the office of the USED offered assistance, but their role is more of a facilitator than investigator of complaints. A business that had a dispute over payment from a borrower country said that officials from the office of the USED were nice but unable to make a difference in getting the World Bank to work with the borrower to resolve the dispute. This business classified its experience as neutral. One business and one trade association said

⁷⁷Ten businesses told us they did not seek assistance from Treasury and three provided no comment. One trade association did not seek assistance and two provided no comment.

⁷⁸Eight businesses told us they did not seek assistance from the office of the USED and one business provided no comment.

⁷⁹Eleven businesses and one trade association provided no comment.

they had negative experiences. One business that filed a bid protest with a borrower country said it was unsatisfied with the lack of response from the borrower and the protest was not resolved. One trade association said that there had not been a concerted effort by the office of the USED to follow up on the revised procurement framework or pursue additional reforms.⁸⁰

- **Commerce.** Nine of the 15 U.S. businesses and two of the three trade associations we interviewed told us they sought assistance from Commerce, and most had positive experiences.⁸¹ Eight of the nine U.S. businesses and one of the two trade associations said they had a positive experience working with ITA officials.⁸² Five of these businesses and the trade association said that ITA officials were helpful when competing for contracts. One trade association said that one member reported that they received effective support from the Partner Post Network where businesses can work with Commerce and Department of State staff in-country on contracts. One business described a negative experience with ITA when its calls to ITA officials overseas were not returned. This business said it no longer contacts ITA officials.

The businesses' views that we obtained cannot be generalized to represent the views of all competing U.S. businesses. However, they illustrate important experiences that can help to inform Treasury, USED, and Commerce in efforts to assist U.S. businesses in competing for World Bank borrower awards.

⁸⁰The remaining two businesses and one trade association that interacted with the office of the USED provided no comment on their experiences.

⁸¹Five businesses and one trade association said they did not seek assistance from Commerce. One business provided no comment.

⁸²Six businesses and two trade associations provided no comment.

Treasury Reviews Proposed World Bank Borrower Projects, But Does Not Have a Formal Process for Project Monitoring

Treasury Leads an Interagency Review of Proposed World Bank Borrower Projects

Treasury leads U.S. engagement with the World Bank and reviews and develops the U.S. position on proposed World Bank borrower projects.⁸³ Treasury's Office of Development Results and Accountability manages the project review process, which includes coordinating with other Treasury offices and U.S. government agencies through an interagency group called the Working Group on Multilateral Assistance (WGMA). According to Treasury guidance, Treasury reviews all proposed projects from the World Bank and other multilateral development banks, which officials told us total around 1,500 projects per year.

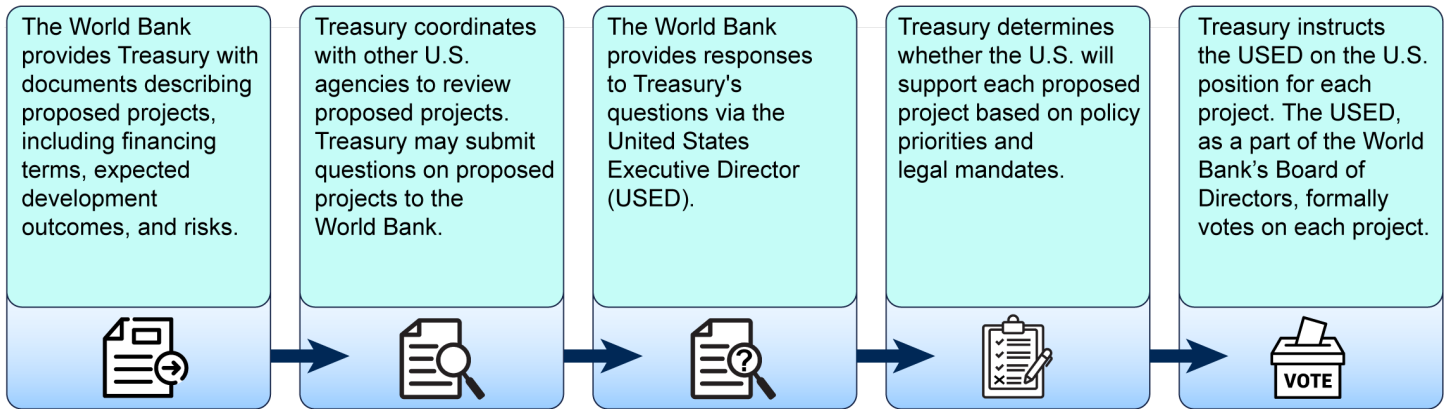
According to Treasury's guidance, Treasury considers several factors when developing the U.S. voting position on proposed World Bank borrower projects, including:

- **Policy interests.** Treasury reviews projects to determine whether they align with national security interests and applicable U.S. government policy.
- **Development impact.** Treasury determines whether proposed projects are likely to provide adequate development outcomes.
- **Compliance.** Treasury evaluates whether proposed projects comply with the World Bank's policies and procedures.

Treasury undertakes a multi-step process to review World Bank borrower projects, summarized in figure 3.

⁸³Treasury leads U.S. engagement with all multilateral development banks where the U.S. is a member. In this report we primarily discuss Treasury's processes with regards to the World Bank. However, Treasury's project review processes are applicable to all relevant multilateral development banks.

Figure 3: Summary of Treasury’s Review Process for Proposed World Bank Borrower Projects



Source: GAO analysis of Department of the Treasury (Treasury) documents and interviews; Amir/stock.adobe.com; Ghori/stock.adobe.com; Ghori/stock.adobe.com; Boonsub/stock.adobe.com; martialred/stock.adobe.com (icons left to right). | GAO-24-106718

According to Treasury guidance, when reviewing World Bank borrower projects, staff first obtain project documents from the World Bank, including PADs. According to Treasury officials, they review these project documents in their entirety to ensure risks are appropriately identified. As part of this review, Treasury categorizes proposed projects as Mandate, Key, or Other.⁸⁴

- **Mandate.** Mandate projects relate to countries or issues with legislative requirements, and Treasury has corresponding voting positions related to these reviews.⁸⁵ For example, Treasury is mandated by law to instruct the USED to oppose loans and other

⁸⁴Treasury also categorizes projects as Prospective if the World Bank has not provided required information, such as a PAD. According to Treasury’s guidance, Prospective projects are to be recategorized as Mandate, Key, or Other when the World Bank provides the required information. Treasury reviews other non-financial World Bank documents such as country partnership frameworks and country strategy papers. These documents are categorized as Country Strategies.

⁸⁵See Department of the Treasury, *Key to Voting Record of the U.S. Executive Directors to the International Financial Institutions* (August 21, 2023).

financial support to certain countries except to meet basic human needs.⁸⁶

- **Key.** Key projects are those that are likely to be controversial for non-mandate reasons, such as concerns with corruption, or are for amounts over \$500 million.
- **Other.** Other projects do not fall into the Key or Mandate categories. Treasury officials told us they categorize most projects as Other, and that these projects are unlikely to present policy concerns.

Treasury considers a variety of U.S. interests in its review of World Bank borrower projects, including industry, country, and project-specific interests. For example, following on guidance from the Biden administration, Treasury's policy is that the U.S. will oppose direct investment in coal energy projects.⁸⁷ Treasury also considers legislative prohibitions on supporting projects to countries with a pattern of gross violations of internationally recognized human rights and supporting terrorism.⁸⁸

In addition, according to Treasury guidance, for any project that may have significant negative environmental effects, Treasury reviews whether the project's environmental and social impact assessment addresses cumulative negative environmental effects and alternatives to the

⁸⁶For example, at various times Treasury has been mandated to oppose projects implemented by Cambodia, Sri Lanka, and Nicaragua, among other countries, unless those projects support basic human needs or other purposes, such as promoting democracy. See Pub. L. No. 108-447, § 554 (a), 118 Stat. 2809, 3015 (Dec. 8, 2004); Pub. L. No. 111-117, § 7089(e), 123 Stat. 2024, 3405 (Dec. 16, 2009); and Pub. L. No. 115-335, § 4(b)-(c), 132 Stat. 5019 (Dec. 20, 2018), as amended and codified at 50 U.S.C. § 1701 note.

⁸⁷See Department of the Treasury, *Implementation Approach for New MDB Fossil Fuel Energy Guidance*. Executive Order 14008 required Treasury to develop a strategy for how the voice and vote of the United States can be used in international financial institutions, including the World Bank Group, to promote financing programs that are aligned with and support the goals of the Paris Agreement. See Exec. Order No. 14008, *Tackling the Climate Crisis at Home and Abroad*, 86 Fed. Reg. 7619, Feb. 1, 2021. The World Bank Group's policy is to lend to projects that align with Paris Agreement goals on climate change, and the World Bank Group aims to phase in its policy through 2025. See World Bank Group, *The World Bank Group's Approach to Paris Alignment (English)* (Washington, D.C.: Mar. 16, 2023).

⁸⁸For example, Treasury is required to instruct the USED to oppose loans and other financial assistance to countries that have engaged in a pattern of gross violations of internationally recognized human rights, such as torture or cruel punishment, and countries that have been designated by the Secretary of State as having repeatedly provided support for acts of international terrorism. See 22 U.S.C. § 262d(e); 22 U.S.C. § 262p-4q; and 22 U.S.C. § 262p-11.

project.⁸⁹ According to Treasury officials, a significant amount of Treasury’s project reviews focus on environmental and social issues, which also receive the most Congressional and stakeholder interest. Treasury also evaluates whether businesses known as untrusted vendors—which include information and communication technology firms with poor data protection and cybersecurity track records—may serve as a key supplier to the project.⁹⁰ If Treasury determines that an untrusted vendor may be involved in a project and that the resulting risks cannot be mitigated, Treasury will recommend not supporting the project.

Treasury leads the interagency review process through WGMA to enable other U.S. government agencies to provide feedback on proposed World Bank borrower projects. WGMA members include agencies representing a wide variety of U.S. perspectives such as the Department of State, the U.S. Agency for International Development, Commerce, and the Environmental Protection Agency, among others. According to Treasury officials, the Department of State is most regularly engaged with WGMA given their broad global coverage. Treasury officials added that WGMA member agencies typically provide feedback on different aspects of proposed projects. For example, officials told us that the Department of Labor reviews projects with labor concerns, while the U.S. Agency for International Development reviews projects that may have significant environmental effects. In addition, Treasury officials stated that U.S. government staff in various countries can also provide feedback through their respective agencies.⁹¹

According to Treasury guidance, Treasury distributes documents for proposed World Bank borrower projects to WGMA members and chairs weekly meetings, and officials told us they also hold ad hoc WGMA

⁸⁹Treasury is required by law to instruct the USED to not vote in favor of any proposal, including loans, which would result or be likely to result in significant impact on the environment, unless certain steps have been taken 120 days in advance of the vote regarding environmental impact assessments. 22 U.S.C. § 262m–7.

⁹⁰Treasury, *Untrusted Vendor Voting Guidance in the Multilateral Development Banks* (Washington, D.C.: Aug. 23, 2021). The World Bank’s policy is that all eligible entities from all countries are eligible to bid on borrower contracts.

⁹¹For example, Treasury officials told us that they did not support a project in Kenya due to concerns from staff at the U.S. Agency for International Development mission in Kenya. Specifically, the local staff expressed concerns over prior experience with the project’s implementing agency.

meetings.⁹² Treasury provides an agenda to members of the working group that includes Treasury's categorization for each project. WGMA member agencies provide their views on the projects during WGMA meetings, and Treasury officials told us that discussions may take place in other ways, such as via email. If WGMA members determine that further information is needed on a project before determining the U.S. voting position, Treasury coordinates with the office of the USED to provide questions to the World Bank. In these instances, the office of the USED will provide responses from the World Bank to Treasury.

After consultation with other agencies and considering the World Bank's response to questions, Treasury determines the U.S. voting position for each proposed project and provides it to the office of the USED. According to Treasury guidance, Treasury circulates proposed voting recommendations to WGMA members to solicit additional feedback. If the U.S. intends to not support a project, Treasury documents the reason for its decision in a memo that is approved by a Deputy Assistant Secretary for International Development Finance and Policy in the Office of International Affairs.⁹³ If Treasury determines that the U.S. supports a project, the voting recommendation is provided to the office of the USED via email. Treasury's guidance also states that documents relevant to a decision must be saved to Treasury's internal database as part of the project file, including signed decision memos and emails to the office of the USED supporting projects. Treasury officials told us that when there is extensive deliberation on a project, they will save relevant email conversations.

⁹²Treasury is required to ensure that several U.S. agencies receive copies of World Bank project documents, including environmental categorization. 31 C.F.R. § 26.2(a). According to Treasury officials, agencies participate in WGMA meetings if there is a project that relates to their agency. Treasury officials told us that interagency discussions of projects are not restricted to scheduled WGMA meetings and may occur at any time.

⁹³Treasury's guidance notes that, in certain cases, the memo should be reviewed at the Assistant Secretary level.

Treasury Does Not Have Guidance or a Formal Process for Determining When and How to Monitor World Bank Borrower Projects with Potential Risks

According to Treasury guidance, Treasury's priorities include monitoring the performance of approved World Bank borrower projects and engaging World Bank leadership and others on individual projects to strengthen the development impact of World Bank lending. Additionally, Treasury officials told us that they may monitor the implementation of World Bank borrower projects, including reviewing World Bank reporting, discussing concerns with World Bank staff, and conducting site visits with World Bank project teams. However, Treasury does not have guidance or a formal process to determine whether to monitor individual approved World Bank borrower projects that may present risks to U.S. interests. Similarly, while Treasury may monitor how the World Bank addresses concerns with projects, Treasury does not have guidance or a formal process for conducting this monitoring.

Treasury officials told us that they may decide to monitor World Bank borrower projects based on concerns identified during the project review process, or due to concerns identified during project implementation, including by civil society. For example, Department of State officials abroad may share issues with projects through WGMA, or Commerce officials may inform Treasury of concerns from U.S. businesses. However, Treasury officials told us they do not have guidance or a formal process for identifying projects to monitor, which could include projects where Treasury identifies potential risks to U.S. interests during the project review process.

Treasury officials told us they rely on the World Bank's monitoring policies and practices, and they may review World Bank reporting on projects. For example, Treasury officials told us that they may review reports from the World Bank's Accountability Mechanism, an independent complaints mechanism for those that have been or may be harmed by World Bank funded projects.⁹⁴ However, the World Bank's Accountability Mechanism is focused on addressing whether projects comply with World Bank policies, which may differ from U.S. interests.

Treasury may perform in-person monitoring activities related to World Bank borrower projects. For example, Treasury officials told us they may

⁹⁴Treasury officials also told us they review reporting from the World Bank GIA and Independent Evaluation Group. GIA assesses whether processes for managing and controlling risks to achieve the World Bank's goals are adequately designed and operating effectively. The Independent Evaluation Group provides evaluative evidence to help the World Bank Group deliver better services and results by generating lessons from past experience.

conduct site visits of projects in conjunction with World Bank-related travel, such as annual meetings. Officials noted that due to COVID-19-related and budget constraints they have conducted site visits less frequently over the last several years. Treasury officials told us that they discuss ongoing projects with other agencies at both regular and as-needed interagency meetings, and they attend regular meetings held by civil society groups to discuss World Bank projects and policies.

Treasury officials also told us when they identify issues with a project, Treasury and the USED may raise concerns directly with the World Bank. For example, officials told us that they may ask World Bank project teams to explain how they are addressing an issue, or the USED may bring concerns to the Board. However, Treasury officials told us that they do not have guidance or a formal process that outlines how to monitor World Bank borrower projects.

We asked Treasury officials about whether they took any actions to follow up on several projects where Treasury identified project-specific concerns during the pre-approval project review process. Specifically:

- In 2019, Treasury did not support a proposed project at the African Development Bank due in part to U.S. national security concerns related to the involvement of a specific vendor.
- In 2020, Treasury did not support a proposed World Bank project in part because Treasury determined that the project's proposed mitigation measures to protect vulnerable local animal populations were not sufficient.⁹⁵
- In 2021, Treasury did not support a proposed World Bank project due to U.S. government concerns of corruption and potential misuse of Bank funds by a partner to the project.

Treasury officials told us that there was no documentation of any follow-up activities for these projects. Treasury officials noted that there has

⁹⁵The World Bank's Environmental and Social Framework requires borrowers to conduct environmental and social assessments that identify risks, potential negative effects, and mitigation measures. The World Bank also reviews borrowers' environmental and social assessments and provides guidance to assist borrowers to develop appropriate mitigation measures. See World Bank, *Environmental and Social Framework* (Washington, D.C.: 2017). U.S. regulations require that Treasury and other agencies evaluate the World Bank's environmental analysis information for projects to determine the U.S. government position on the project. 31 C.F.R. § 26.4.

been high staff turnover in the relevant office, and any e-mails sent by former staff related to those projects may not be readily accessible.

According to Treasury's guidance on internal controls, Treasury components should ensure their internal controls provide reasonable assurance that programs are effectively carried out in accordance with applicable laws and management policy. Additionally, standards for internal control in the federal government state that agencies should identify risks; design control activities to respond to risks; and establish and communicate the who, what, when, where, and why of internal control execution to personnel.

Because Treasury does not have guidance and a formal process to identify whether to monitor the implementation of World Bank borrower projects, Treasury may miss the opportunity to proactively address risks or verify that mitigation measures are being implemented effectively and negative impacts are being addressed by the World Bank. For example, Treasury lacks guidance and a formal process to monitor projects where they identify the likelihood of involvement of an untrusted vendor and associated risks to U.S. national security. Treasury officials told us they do not have the resources to monitor all projects. However, a risk-based process that leverages the knowledge of both Treasury officials and other U.S. agencies through the interagency process could help limit the number of projects that require monitoring as well as the amount of resources required to perform monitoring.

Similarly, because Treasury does not have guidance and a formal process that outlines how to monitor the implementation of World Bank borrower projects, Treasury may not consistently monitor the implementation of such projects and risks losing key institutional knowledge. Such guidance might outline who is responsible for conducting the monitoring, when and what type of follow-up should occur, when they may stop monitoring, and how to document efforts, as appropriate. Such guidance may help ensure that monitoring efforts happen consistently, including across time and by newer staff.

During our review, Treasury took actions to improve how it identifies projects for monitoring and maintains documentation of monitoring activities. For example, Treasury officials told us they added an option to identify projects for monitoring in the database that they use to manage and track World Bank borrower projects. Officials noted that the database will also send automated reminders to Treasury staff. According to those officials, this change will help Treasury keep track of projects over time,

including what may be a long period between Board approval and project implementation. Additionally, Treasury established a shared email account which they told us will facilitate communication and recordkeeping by acting as a record of email discussion of projects. This change will help address challenges related to email access and staff turnover. Treasury officials noted that the availability of resources will affect how Treasury undertakes monitoring activities. However, until Treasury develops guidance and a formal process on identifying and monitoring World Bank borrower projects with risks to U.S. interests, Treasury may not be able to proactively or consistently address these risks.

Conclusions

The World Bank assesses project risks and provides oversight and support to borrowers, who are responsible for managing projects and addressing associated problems. The World Bank has procurement risk management processes that align with international leading practices, which helps to manage risks to projects. However, its internal reviews have made recommendations that indicate there are opportunities to enhance some of those processes to reduce risks, such as fraud.

As a member of the World Bank's Board, the U.S. can oppose projects that may present risks to U.S. interests, including national security interests. Because the World Bank's Board may vote to approve projects regardless of U.S. support, it is important for the U.S. to monitor the implementation of these projects for potential developments that could affect U.S. interests.

While Treasury has processes in place to review proposed World Bank borrower projects, we found weaknesses in Treasury's internal guidance and opportunities for Treasury to improve how it ensures U.S. interests are protected. Specifically, Treasury does not have a process to identify whether to monitor World Bank borrower projects for which it has identified specific risks to U.S. interests, and Treasury has not established internal guidance on how it monitors World Bank borrower projects.

By developing guidance and formal processes for whether and how to monitor World Bank borrower projects, Treasury can better protect U.S. interests and proactively respond to the potential risks these projects may present. In addition, by establishing written guidance that identifies whether and how to monitor select World Bank borrower projects, Treasury may be able to better ensure that its processes are communicated and implemented consistently.

The U.S. government also has a key role in helping to improve U.S. businesses' opportunities to compete for World Bank borrower contracts. While the U.S. is the largest shareholder of the World Bank, from FYs 2013 through 2022, U.S. businesses accounted for around one percent of all World Bank borrower contract dollars awarded. The U.S. businesses that we interviewed identified a variety of challenges that they faced competing for these awards and some reported that they will not compete again. Their views illustrate important experiences that can help to inform Treasury, USED, and Commerce as they assist businesses in competing for World Bank borrower projects.

Recommendations for Executive Action

We are making the following two recommendations to Treasury:

The Secretary of the Treasury should ensure that the Office of International Affairs develops guidance and a formal process to determine whether to monitor individual World Bank borrower projects based on risks to U.S. interests. (Recommendation 1)

The Secretary of the Treasury should ensure that the Office of International Affairs develops guidance and a formal process for how it will monitor World Bank borrower projects when it determines that monitoring is necessary. (Recommendation 2)

Agency Comments

We provided a draft of this report for review and comment to Commerce, Treasury, and the World Bank. Commerce, Treasury, and the World Bank provided technical comments, which we incorporated as appropriate. In addition, Treasury and the World Bank provided written comments, which are reprinted in Appendixes II and III, respectively. Commerce did not provide written comments.

In its written comments, Treasury concurred with our two recommendations and noted that the development of guidance and formal processes would support more consistent monitoring of World Bank-financed projects during implementation. Treasury also noted it will take account of existing budgetary and staffing constraints when considering the scope of such monitoring.

The World Bank acknowledged our work and stated they appreciated our findings that the Bank's approach to assessing procurement risk aligns with leading international practices on public procurement. The World Bank also noted they are working to address the feedback that the U.S. businesses and trade associations we interviewed provided on their experiences with Bank-financed procurement. For example, the World

Bank described a goal to identify and address barriers that discourage U.S. firms from bidding in all procurement categories. The World Bank also affirmed its commitment to ensure the Bank's procurement process supports the achievement of value for money and development objectives and incentivizes participation by qualified businesses from across the world, including from the U.S.

We are sending copies of this report to the appropriate congressional requesters, the Secretary of the Treasury, the Secretary of Commerce, the President of the World Bank, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4409 or LoveGrayerL@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in Appendix IV.



Latesha Love-Grayer
Director, International Affairs and Trade

Appendix I: Objectives, Scope, and Methodology

This report examines: (1) the extent to which the World Bank's guidance is designed to ensure that borrowers have the capacity to manage procurement in line with the World Bank's procurement framework; (2) how the World Bank and borrowers screen potential suppliers; (3) what challenges, if any, selected U.S. businesses reported facing when competing for World Bank borrower contracts, and how U.S. agencies assist U.S. businesses pursuing these contracts; and (4) the extent to which Treasury reviews and monitors World Bank borrower projects for risks to U.S. interests.

To examine the extent to which the World Bank's guidance is designed to ensure that borrowers have the capacity to manage procurement in line with the World Bank's procurement framework, we reviewed World Bank documents related to the procurement framework [effective World Bank fiscal year (FY) 2017], including policies and procedures for procurement by borrowers under Investment Project Financing (IPF).¹ We also reviewed audits and reviews conducted by the World Bank related to its procurement framework. In addition, we reviewed other non-public World Bank documents, including guidance on performing risk assessments and drafting Project Appraisal Documents (PADs). We also interviewed World Bank officials regarding the World Bank's policies and procedures for overseeing borrower-implemented procurement.

To determine the extent to which the World Bank's guidance is designed to ensure that borrowers have the capacity to manage procurement in line with the World Bank's procurement framework, we reviewed World Bank procurement regulations, policies, and other related guidance.² We then interviewed World Bank officials on the use of World Bank systems and methodologies used to perform risk assessments. We also assessed the World Bank's guidance on performing procurement risk assessments against the Methodology for Assessing Procurement Systems (MAPS), an internationally recognized methodology for assessing procurement systems.

¹The World Bank's fiscal year begins July 1st. All references to fiscal years in this report are World Bank fiscal years unless otherwise noted.

²The procurement framework establishes seven procurement principles and five governance principles that guide borrower procurement, referred to collectively as the procurement principles throughout this report. Before providing proposed projects to the Board for approval, the World Bank seeks assurance from borrowers that they will execute procurement in line with the Bank's procurement framework.

To determine whether MAPS is an applicable criterion to the World Bank, we compared the definition and description of each MAPS indicator and sub-indicator to the World Bank's definition of each procurement principle. Based on our evaluation of the procurement principles, we made the following scoping decisions:

- We excluded the procurement principle "Eligibility" because the World Bank determines the eligibility of businesses independently from its procurement assessment process (i.e. the World Bank's debarment list, Sexual Exploitation & Abuse / Sexual Harassment disqualification), and on a contract-by-contract basis. Therefore, "Eligibility" is outside the scope of our review because it is not considered during the World Bank's procurement assessment process.
- We excluded the procurement principle "Noncompliance" because the World Bank determines contractual noncompliance of borrowers based on the negotiated agreement between the World Bank and the borrower independently from its procurement assessment process. Therefore, "Noncompliance" is outside the scope of our review because the World Bank imposes contractual rules upon borrowers, and violations of contractual agreements are determined outside of the Bank's procurement assessment process on a contract-by-contract basis.
- We evaluated the procurement principles of "Fit for Purpose" and "Value for Money" together because MAPS defines fit for purpose as the consideration of the quality of resources to meet defined requirements to achieve value for money. Therefore, MAPS considers fit for purpose as an aspect of value for money and we considered it as such in our analysis.

For each procurement principle, we selected the most applicable MAPS indicators based on our assessment. More specifically, to qualify as applicable, a MAPS indicator or at least one of its sub-indicators must be traceable to at least one procurement principle. Due to the general nature of the procurement principles, we determined whether MAPS indicators and sub-indicators were applicable based on our review and assessment. For instance, while some MAPS indicators are directly related to individual procurement principles, many indicators apply to multiple procurement principles.

We also assessed whether MAPS addresses each procurement principle. We used the following categories and criteria to evaluate and score each procurement principle:

- **Addressed:** At least one MAPS indicator directly addresses the procurement principle.
- **Not Addressed:** Zero MAPS indicators directly address the procurement principle.

To make this determination, for each procurement principle an analyst reviewed the MAPS indicators to identify applicable indicators. That analyst made an initial determination as to whether any of the indicators directly addressed the procurement principle. One additional reviewer assessed the procurement principle and the MAPS indicators identified by the analyst and independently concluded whether the indicators addressed or did not address the procurement principle.

Then, we used MAPS indicators as evaluative criteria to assess the World Bank's procurement assessment guidance. We compared the definition and description of each MAPS indicator to the World Bank's Systematic Operations Risk-rating Tool (SORT) guidance. Where appropriate, we reviewed the World Bank's Principles-Based Financial Management Manual. We also interviewed World Bank officials to discuss the Procurement Risk Assessment and Management Guidance (P-RAMS) risk model and reviewed the World Bank's presentation on P-RAMS provided during the meeting.

While SORT includes 10 risk scores, our analysis considers only fiduciary risk, which is composed of procurement and financial management risks. We compared World Bank guidance on procurement risk—including SORT and officials' descriptions of P-RAMS—to 13 of 14 MAPS indicators. For the remaining indicator, we also compared World Bank financial management risk guidance.³ We used MAPS indicators as our unit of analysis and excluded the more specific sub-indicators due to the high-level nature of the World Bank's guidance.

For each MAPS indicator, we determined whether the World Bank's guidance includes assessment criteria or describes steps to conduct procurement assessments that addresses the MAPS indicator. We consider each procurement risk category and procurement risk example as an individual example.

³MAPS Indicator 4 evaluates the integration between public procurement and public financial management systems. To appropriately evaluate the World Bank's guidance against this indicator, we reviewed the Financial Management Manual in addition to SORT and P-RAMS.

We used the following scores and criteria to evaluate each indicator:

- **Addressed:** The World Bank guidance has at least one passage that aligns with or directly addresses the MAPS indicator.
- **Not Addressed:** The World Bank guidance does not align with or directly address the MAPS indicator.

To make this determination, for each MAPS indicator an analyst reviewed the World Bank guidance. That analyst made an initial determination as to whether the guidance aligned with or directly addressed the MAPS indicator. Two additional reviewers assessed the guidance identified by the analyst and independently concluded whether the guidance addressed or did not address the MAPS indicator.

We selected a nongeneralizable sample of 14 World Bank IPF projects that were approved by the World Bank's Board between World Bank FYs 2019 and 2022.⁴ Specifically, we downloaded the World Bank Projects & Operations dataset, which provides information on all World Bank lending projects from 1947 to the present, and we reviewed the reliability of the dataset. This review included checking for internal consistency, checking for duplicate entries, gaps, and obvious errors, and interviewing World Bank officials about their controls over the data. Based on our review, we found these data to be sufficiently reliable for selecting a nongeneralizable sample of projects to review.

We then selected two projects from each of the World Bank's seven regions and extracted each publicly available PAD and Implementation Status and Results Reports (ISRs) for the selected projects. For each region, we first selected the project with the highest nominal dollar value, and we also randomly selected one project with a median nominal dollar value of all projects for that region.⁵ If the selected project was from the same borrower country as the project with the highest nominal dollar value, we randomly selected a new project to increase the number of borrower countries covered by our sample.

⁴We selected 2019 as the earliest year for consideration because projects approved in this year are more likely to be subject to the procurement framework, which applies to all projects with a 'concept note' after July 1, 2016. We selected 2022 as the latest year for consideration to increase the likelihood that projects had begun implementation and therefore had related monitoring documentation.

⁵We defined medium-sized projects as projects with a nominal dollar value between the mean and median project cost of all projects within our sample criteria.

We reviewed the PADs of all 14 projects to determine the extent the World Bank publishes information on project procurement and fiduciary risks and other relevant information. We compared the table of contents in each PAD to the World Bank's guidance for preparing the PAD. We used the following categories to score and evaluate whether a PAD followed the template provided in World Bank guidance:

- **Followed Template:** The PAD followed the template if it included all seven required sections (six sections and an annex) and subsections.
- **Mostly Followed Template:** The PAD mostly followed the template if it included at least five of seven required sections and at least 10 of 15 subsections.
- **Did Not Follow Template:** The PAD did not follow the template if it included less than five of the seven required sections and less than 10 of the 15 subsections.

For each project in our sample, we reviewed the entirety of the PAD to identify whether the PAD included (1) the fiduciary and procurement risk ratings; (2) a discussion of procurement risk and mitigation measures; and (3) a discussion of financial management risk. We also reviewed the degree to which each PAD clearly outlined information on procurement risks, mitigation measures, actors responsible for implementing those measures, and timelines to implement those measures. Specifically, we identified whether each PAD outlined this information as a table or paragraph, and the degree to which each PAD clearly identified actors to implement each mitigation measure.

We used the following categories to score and evaluate whether a PAD clearly outlined actors responsible for implementing procurement risk mitigation measures:

- **Clear:** Each mitigation measure has a specific, identified actor.
- **Partially Clear:**
 - Each mitigation measure has an identified actor, but the actor is non-specific or unclear. For example, the actor is listed as "borrower" when there is more than one borrower agency involved in the project.
 - Some but not all mitigation measures have a specific, identified actor.

- **Not Clear:** Each mitigation measure does not identify an actor or uses passive language that does not indicate who is responsible for undertaking actions.

We used the following categories to score and evaluate whether a PAD clearly outlined timelines to implement each procurement risk mitigation measure:

- **Clear:** Each mitigation measure has an identified time frame, which may include a specific timeframe or project milestone, or ongoing implementation.
- **Partially Clear:** Some but not all mitigation measures have an identified timeframe.
- **Not Clear:** No mitigation measures have an identified timeframe.

We also reviewed all available ISRs for each project between project approval and December 31, 2023 to determine whether the World Bank tracks and explains changes (e.g., mitigation measures, external causes, etc.) related to fiduciary risk.

To examine how the World Bank and borrowers screen potential suppliers, we reviewed World Bank guidance to borrowers on screening potential suppliers and STEP training videos. We also interviewed World Bank officials on their policies and procedures used by the World Bank to conduct screening using the World Bank's Anti-Money Laundering and Countering Financing of Terrorism and Sanction policies and procedures, as well as screening performed by borrowers.

To examine what challenges, if any, selected U.S. businesses reported facing when competing for World Bank borrower contracts, and how U.S. agencies assist U.S. businesses pursuing these contracts, we interviewed U.S. trade associations and businesses with experience competing for World Bank borrower contracts. We reached out to trade associations and requested referrals to trade associations and businesses from the Department of Commerce's International Trade Administration (ITA) liaison at the World Bank's office of the U.S. Executive Director (USED).⁶ We selected and interviewed three trade associations that represent businesses competing for these contracts and five businesses on their experiences. Based on these interviews, we developed semi-structured

⁶The ITA liaison distributed an email that GAO drafted. The liaison sent the email to U.S. businesses that have contacted that office for assistance regarding World Bank procurements.

interview questions that included both open- and closed-ended questions for interviewing the businesses in our sample.

Subsequently, we selected a nongeneralizable sample of 15 U.S. businesses that were awarded World Bank borrower contracts in calendar years 2017 through 2021 across the four procurement categories to gain their perspectives on the Bank's procurement principles, opportunities and challenges competing for contracts, and assistance from U.S. agencies in pursuing World Bank borrower contracts. We selected U.S. businesses based on our review of the World Bank's Contracts Awards in IPF dataset. We assessed the reliability of the contract awards data by reviewing the data for internal consistency; checking for duplicate entries, gaps, and obvious errors; and interviewing World Bank officials about their data collection and verification procedures.⁷ Based on our review, we found these data to be sufficiently reliable for selecting a non-generalizable sample of U.S. businesses to interview.

More specifically, we sorted the contracts awarded to U.S. businesses based on the four World Bank procurement categories: (1) civil works, (2) consultant services, (3) goods, and (4) non-consulting services. Within each of the four categories, we selected four U.S. businesses that were awarded the most contracts collectively per category between calendar years 2017 and 2021.⁸ In instances where U.S. businesses were awarded the same total number of contracts, we selected the U.S. businesses that received the highest value amount for that 5-year period. We selected U.S. businesses that had total awarded contracts greater than \$100,000 to identify U.S. businesses with experience competing for significant contracts. We excluded U.S. businesses that were awarded only direct selection or single selection procurement methods for all procurement categories because our objective was to interview U.S. businesses about the competitive process. When we could not successfully contact a business, or a business elected not to participate in an interview, we selected the next business on the list using the same selection criteria. Of the selected four civil works businesses, three did not respond to multiple requests and one declined to be interviewed. Of the five initial interviews with businesses, two businesses were included as part of our sample

⁷We previously reported on our analysis of these data, including weaknesses that the World Bank addressed. See [GAO-23-105543](#).

⁸We selected our sample in April 2022 during our work for [GAO-23-105543](#). We based our selection on data on borrower contract awards published by the World Bank at that time.

based on the selection criteria. The remaining three businesses fell outside of our selection criteria.

We selected and interviewed the 10 U.S. businesses in our sample that we had not previously interviewed. We asked each U.S. business in our nongeneralizable sample how successful they had been bidding on borrower contracts to ensure that our sample included both businesses with successful and unsuccessful experiences bidding on borrower procurements. We analyzed the responses from the 18 total interviews to identify key issues raised by U.S. businesses and trade associations. We then enumerated these responses according to the key issues.

We also interviewed Commerce and Department of the Treasury (Treasury) officials on their perspectives on challenges U.S. businesses face competing for borrower contracts. In addition, we reviewed relevant laws that establish responsibilities for Commerce, Treasury, and the USED in assisting U.S. businesses and agency 5-year strategic plans, annual performance plans and reports, staff position descriptions, and documentation of agency activities. We also interviewed these agencies and the office of the USED about their activities and actions to assist U.S. businesses. We also interviewed our nongeneralizable sample of U.S. businesses and trade associations to gain their perspectives about this assistance. These businesses' views illustrate important experiences. However, they cannot be generalized to represent the views of all competing U.S. businesses.

To examine the extent to which Treasury reviews and monitors World Bank borrower projects for risks to U.S. interests, we reviewed laws, regulations, and related documents to understand Treasury's role and responsibilities related to reviewing and monitoring proposed World Bank borrower projects. We also reviewed internal guidance and documents related to Treasury's project review process, such as Treasury's loan review process manual, internal guidance on specific policies for reviewing projects, agendas of interagency meetings, and memos documenting decisions. We also interviewed Treasury officials on their processes for reviewing projects, soliciting input from other U.S. agencies, determining the U.S. voting position on projects, and monitoring approved projects. We requested and reviewed Treasury data on voting decisions for fiscal years 2019 through 2023. We assessed the reliability of these data by reviewing for internal consistency; checking for duplicate entries, gaps, and obvious errors; comparing the data to publicly available data; and interviewing Treasury officials about their data collection and verification procedures. Based on our review, we found these data to be

sufficiently reliable to summarize the number and outcomes of projects reviewed by Treasury. In addition, we evaluated Treasury's process to monitor approved World Bank borrower projects against Treasury's Internal Control Program and standards for internal control in the federal government.

We conducted this performance audit from March 2023 to September 2024 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Department of the Treasury



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

September 13, 2024

Latesha Love-Grayer
Director, International Affairs and Trade
Government Accountability Office
441 G St. NW
Washington, DC 20548

Dear Ms. Love-Grayer:

The Department of Treasury (Treasury) appreciates the work conducted by the Government Accountability Office (GAO) in preparing its report entitled, “World Bank Procurement: Risk Monitoring Can be Enhanced as U.S. Businesses Face Challenges Competing.” My staff have engaged intensively and productively with your team. We have appreciated the constructive interactions with the GAO on the World Bank’s public sector procurement policy and Treasury’s process for reviewing World Bank and other multilateral development bank (MDB) projects.

Through Treasury’s role at the Board, the United States has consistently supported open and fair procurement policies to benefit both the borrowing countries and eligible firms. We appreciate GAO’s recognition that the World Bank’s procurement guidance aligns with leading international practices. Treasury considers the World Bank’s procurement policy to be consistent with good practice and consistent with the practices at other MDBs, including in such areas as value for money, fit-for-purpose procurement methodologies and international competitive bidding. We believe GAO’s report confirms World Bank’s policies for procurement provide an equitable platform for businesses to compete on the basis of merit.

We welcome the attention the report pays to Treasury’s extensive efforts to review World Bank and other MDB projects for their alignment with U.S. interests and policies in close coordination with many other U.S. government agencies. As the report notes, Treasury has a dedicated team with well-established processes, which has conducted project assessments and vote determinations for close to 2,000 public sector projects at the World Bank between World Bank fiscal years 2019 and 2023 and will continue to conduct such reviews.

While best efforts are made to monitor World Bank and other MDB implementation of projects on a selective basis post-approval, we agree with the report’s recommendations that establishing written guidance would support more consistent implementation monitoring. Specifically, Treasury agrees to develop guidance and formal processes to determine whether to monitor the World Bank’s implementation of individual projects based on risks to U.S. interests (recommendation 1) and how that monitoring of the World Bank’s implementation of individual

**Appendix II: Comments from the Department
of the Treasury**

projects will be conducted (recommendation 2). As discussed in the GAO report, absent additional resources, the scope of such monitoring will have to take account of existing budgetary and staffing constraints.

Sincerely,



Alexia Latortue
Assistant Secretary for International Trade and
Development

Appendix III: Comments from the World Bank



September 16, 2024

Ms. Latesha Love
Director, International Affairs and Trade
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Ms. Love,

*Re: Management Response to Draft Report GAO-24-106718
[Risk Monitoring Can be Enhanced as U.S. Businesses Face Challenges Competing]*

The World Bank (the Bank) welcomes the work of the U.S. Government Accountability Office (GAO) to review procurement and risk management practices and appreciates the opportunity to comment on this second report. As noted in both reviews, the Bank's 2016 Procurement Framework mainstreamed quality-based evaluation into Bank-financed procurement. Since then, we have introduced further reforms including the mandatory use of Rated Criteria for all international procurements, which will require borrowers to consider fit-for-purpose solutions rather than the lowest evaluated price when awarding contracts. As a follow-up, we are now taking steps to ensure that Rated Criteria are given sufficient weight to achieve optimal value for money and ultimately better development outcomes, and to better support Borrowers with strategic procurement planning and implementation.

We are pleased that the report recognized that the Bank's approach to assessing procurement risk aligns with best international practices on public procurement. At the same time, we also greatly value the feedback collected from the fifteen U.S. businesses and three trade associations on their experiences with Bank-financed procurement. We are working to address the feedback by further enhancing value-driven decision making in procurement, developing a comprehensive change management plan, strengthening oversight of procurement implementation, and increasing our focus on building borrowers' capacity. Examples of additional actions implemented over recent years to level the playing field and incentivize the broadest contractor participation include:

- I. mechanisms for the borrower to reject abnormally low bids;
- II. mandatory direct payment to contractors in fragile environments;
- III. strengthened requirements on environmental and social standards including introduction of a mechanism to disqualify contractors that violate obligations on gender-based violence;
- IV. disclosure of beneficial ownership in international contracts; and
- V. scaling up of hands-on expanded implementation support to borrowers with weaker capacity on procurement and related matters.

As earlier GAO work points out, U.S. businesses have a high success rate when they bid (around 70 percent) and were awarded the second highest number of international contracts. However, U.S. contractors rarely participate in infrastructure procurement, which represents the largest share of the procurement portfolio

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Appendix III: Comments from the World Bank



by value (approximately 60 percent). Our goal is to identify and address barriers that discourage US firms from bidding in all procurement categories. The Bank continues to work closely with the U.S. Executive Director and the Commerce Department to engage the U.S. business community to diversify the supply base of Bank-financed contracts and attract capable and highly qualified suppliers.

We also appreciate the report's focus on anti-corruption. We take all allegations of fraud, corruption, and misuse very seriously, and apply strict, mandatory requirements in all procurement processes. The Bank's Integrity Vice-Presidency actively pursues reported allegations of fraud and corruption, and the Bank maintains a two-stage administrative sanctions process which ensures that debarred or suspended firms and individuals, including those sanctioned through cross-debarment with other MDBs, are ineligible to participate in World Bank financed procurement. As noted in the report, the Bank also screens potential suppliers against U.S., UK, and/or European Union sanctions lists. If the Bank identifies an award recommendation to an entity on these sanctions lists, the Bank informs the borrower that (1) the World Bank is not able to issue a direct payment (on behalf of the borrower) to a potential contract awardee, and (2) the borrower may not be able to process the payment themselves. Furthermore, in the exceptional case where a firm is accurately identified as on one of these sanctions lists, the Bank may determine that a particular contract violates Article III, Section 5 (b) of its Articles of Agreement. If it is determined that the loan proceeds would not be used for the purposes for which the loan was granted, the Bank will not finance the contract.

We also welcome the recommendation made by the Bank's 2023 internal audit department (GIA) on Bank Financed Procurement (BFP). We would like to note that Bank Management has already taken actions and implemented this recommendation. BFP was implemented at a time of severe market disruption, when the Bank was instrumental in helping borrowers, access critically needed medical equipment and personal protective equipment. The Bank's actions through BFP were applauded by suppliers, including U.S. based medical equipment manufacturers, who benefited from the clarity and coordination of BFP procurement processes.

We reiterate our commitment to ensuring that the Bank's procurement process incentivizes highly qualified contractors' participation in all parts of the world, including the United States, and supports the achievement of value for money and development objectives.

Sincerely,

Edward Mountfield

Vice President, Operations Policy and Country Services

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Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Latesha Love-Grayer, (202) 512-4409, LoveGrayerL@gao.gov

Staff Acknowledgments

In addition to the above contact, Ryan Vaughan (Assistant Director), Benjamin L. Sponholtz (Analyst in Charge), Joshua Lanier, Joshua Timko, Maureen Luna-Long, Larissa Barrett, Neil Doherty, Ashley Alley, Gabriel Nelson, and Terry Richardson made key contributions to this report.

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