

January 26, 2009

Ms. Editha B. Cailao
Legislative Committee Secretary
Committee on Economic Affairs

Dear Ms. Cailao:

Thank you for your letter of January 23, 2009 inviting the World Bank to deliver a statement at the committee hearing on several resolutions related to issues concerning the debarment case under the first phase of the World Bank-assisted National Roads Improvement Management Program and the Government's Procurement Reform Act.

I would like to thank the Honorable Senator Miriam Defensor Santiago for articulating to the public reasons why World Bank staff would be constrained to attend the hearing. Indeed, she is right to say that, as representatives of an international agency, World Bank staff faces restrictions in attending formal hearings of parliaments in member countries.

To ensure that all stakeholders have as much information as possible, we have posted on our website information regarding the investigation and the sanctions process, a list of debarred firms worldwide, and other information relevant to this matter. Our office has also been in dialogue with the staff of Senator Santiago and we have provided them with publicly-available information on the matter of debarments announced recently by the Bank's Sanctions Board. For your easy reference, we are attaching some of the basic documents posted on our website.

Here, I would like to reiterate that the World Bank's Sanctions Board came to its decisions after a careful and intensive process of investigation and evaluation. The Bank's investigative office, INT, conducted the investigation. INT is a separate Vice Presidency charged with investigating allegations of fraud and corruption in Bank-financed projects. INT reports directly to the President of the World Bank and is staffed by a team including investigators, legal specialists, forensic accountants, and others. The investigation included numerous interviews across several countries and an in-depth review of all documentation related to the bidding process under the NRIMP-1 project. The investigation found evidence that several firms and individuals may have engaged in collusion in connection with two contracts under the project. The report of the investigation was shared with the relevant authorities in the Philippines.

All of the firms and individuals in this case were given ample opportunity to defend themselves. They all received the Bank's Notice of Sanctions Proceedings in May 2008, and were given 90 days to submit a response in their defense and contest the allegations against them. The firms and individuals were also entitled, as part of their response, to request a hearing before the Bank's Sanctions Board, if they choose to do so, and some did. The Sanctions Board consists of external legal experts and senior World Bank staff. Since 1999, more than 350 firms and individuals from more than 22 countries – including the US, Sweden, the Netherlands, and the United Kingdom – have been banned from bidding for Bank-financed projects, either indefinitely or for a specific period of time.

Throughout the Sanctions process, we have been in regular dialogue with oversight agencies and the Department of Public Works and Highways. Based on the experience of phase one, we have incorporated tighter security and oversight mechanisms in the second phase of the program to ensure that both Government and World Bank money is used properly.

Please rest assured of our continued support to the Philippines. Should you need more information on this case, please feel free to call or write to our office.

Sincerely,

(Signed)

Bert Hofman
Country Director, Philippines
East Asia and Pacific Region

Att: Annex 1 – WB Debars Seven Firms and One Individual for Collusive Practices under Philippines Roads Project
Annex 2 – WB Approves Road Project to Build Better Roads
Annex 3 – Frequently Asked Questions about the Recent Sanctions Announced by the World Bank under a Philippine Roads Project (as of January 23, 2009)
Annex 4 – Sanctions Proceedings Flowchart
Annex 5 – Project Appraisal Document - National Roads Improvement and Management Program Phase 2

cc: Hon. Margarito B. Teves, Secretary, Department of Finance
Hon. Rolando Andaya, Secretary, Department of Budget and Management
Hon. Hermogenes Ebdane Jr., Secretary, Department of Public Works and Highways
Hon. Jesus Dureza, Office of the President, Office of the Press Secretary
Hon. Cerge Remonde, Secretary, Office of the President, Presidential Management Staff
Hon. Merceditas Gutierrez, Ombudsman, Office of the Ombudsman
Mr. Jorge Humberto Botero, Executive Director for the Philippines