

NAVIGATING NEW MARKETS

Global Entrepreneur



Blame Game

Bernard van der Lande says he lost key World Bank contracts because of lax oversight.

were able to help Van der Lande now. Ashford's revenue had completely disappeared.

Van der Lande had built Ashford International by bidding on contracts from the World Bank and the Inter-American Development Bank to ship, install, and service computer systems around the world. Over the past 20 years, the company, based in Stone Mountain, Georgia, won hundreds of contracts in places such as Nigeria, Russia, and the Dominican Republic. But by late 2004, Van der Lande was coming off a two-year period in which he had failed to win 65 of the past 67 contracts he had bid on. Something had changed, and the more Van der Lande thought about it, the more he was convinced that the World Bank and the IADB were at fault.

In December 2004, he filed suit in an Atlanta court, charging the two organizations with failing to administer the rules of their procurement process. Both institutions require countries that receive funds to award contracts to the vendor with the lowest bid. But in an atmosphere of lax oversight, Van der Lande charges, local governments ignored World Bank rules, instead handing the work to local crony companies. "Countries know the banks are not following through, so they ignore the rules," he says. And though no private entity has

World Bank blues

Bernard van der Lande built his business on getting World Bank contracts. Then the rules seemed to change

BERNARD VAN DER LANDE could not believe what was happening. He'd been doing business overseas for his entire career, nearly 30 years, and considered himself an expert. His company, Ashford International, had been exporting computer equipment to emerging markets since 1983 and had grown to revenue of \$25 million with 50 full-time employees. President Bill Clinton even recognized Ashford as the U.S. exporter of the year in 1997. But none of the accolades and experiences

ever sued the World Bank or the IADB successfully, Van der Lande is confident he can prove he was wronged.

Each year, development banks and nongovernmental organizations spend billions of dollars on development projects worldwide. The World Bank alone allocated \$22.3 billion for some 40,000 contracts in 2005. Though most of the major infrastructure work goes to multinational giants like Bechtel and Halliburton, more than a quarter of the fund-

ing is farmed out to smaller companies.

Contracting with foreign nations, of course, can be risky. Corruption is often endemic and there is little recourse should things go wrong. That's the appeal of working through institutions like the World Bank, which is supposed to be safe and transparent. But it's easy to run into trouble. "Developing countries would like to award their contracts to local suppliers and not put them through the grind of the bidding process," says John Williamson, a senior fellow at the Institute for International Economics. "Ashford's situation is not unique."

Van der Lande, a Dutch native, began exporting to Western Europe in 1983. But business really took off in 1992, when he landed million-dollar contracts through the World Bank to outfit the Nigerian Ministry of Education, Romania's national railway, and the offices of Poland's parliament with computer systems. The company grabbed headlines in 1997 when it won a \$13 million contract to supply some 5,000 personal computers to about 1,000 elementary schools in São Paulo, Brazil. President Clinton, traveling in South America at the time, hailed the project as "good for the students and good for the Stone Mountain company and its workers."

Two years later, Van der Lande had more Brazilian contracts in hand. But this time, he was mired in red tape. The government was constantly adding new requirements that needed to be satisfied before work could begin—and Ashford suspected it was because it sought to steer the contracts to local suppliers, in violation of World Bank rules. Those troubles soon spread to places like Uganda and Jordan. In 2002, Ashford failed to win 50 out of the 55 contracts it had bid on. And it is not the only company that has experienced such difficulties, says Melanie Oliviero, international campaign director at the Government Accountability Project, an advocacy group in Washington, D.C. "We have interviewed more than 30 individuals with similar complaints," she says.

Van der Lande understood that the marketplace had changed over the past decade. By the late 1990s many developing countries had their own fledgling

tech industries, which they wanted to support with development dollars. Still, Van der Lande felt he was being treated unfairly. He made several trips to Washington to complain to World Bank and IADB officials. He also turned to the U.S. Commerce and Treasury departments for help. Despite his efforts, no help was forthcoming. By the end of 2004, Van der Lande felt he had no choice but to suspend Ashford's operations. That's also when he decided to sue the World Bank and the IADB for negligence. The World Bank has since filed a motion to dismiss the case. "We hold our procurement process to the highest degree," says World Bank spokesman David Theis, who calls the complaint "frivolous." An Atlanta judge has yet to rule on

whether Ashford has the right to sue.

Van der Lande's plight has since drawn the attention of Congress. In November 2005, the Senate Foreign Relations Committee recommended several changes to the World Bank's procurement rules, including making the entire bidding procedure a matter of public record. For Van der Lande, though, the changes are too little, too late. While he waits for the judge's ruling, he has been using his expertise to help other companies create their export strategies, rather than launching any new venture of his own. The main advice he has been giving his clients? "Just stay away from the World Bank and IADB, period," he says. "Unless you want to end up like me." —Darren Dahl

THE WORLD

Feelin' groovy?



American entrepreneurs are notoriously sunny—but not compared with their peers around the world. The global accounting firm Grant Thornton recently surveyed more than 7,000 owners of midsize companies in 30 countries and found that U.S. businesses ranked 17th in optimism—largely because of the effects of high oil prices, natural disasters, and the war in Iraq. Below, the world's biggest bulls and bears. —Max Chafkin

TOP FIVE



India Entrepreneurs anticipate 7.5 percent GDP growth, economic reforms, and a flood of foreign investment.



Ireland A tech and services boom has living standards and economic growth outpacing the rest of Western Europe.



South Africa With moderate inflation and interest rates at 20-year lows, South Africa is an island of stability in Africa.



China A \$102 billion trade surplus would make anyone feel good; businesses also expect a boost from the 2008 Olympics.



Philippines Foreign investment jumped more than 60 percent last year and is expected to rise again in 2006.

BOTTOM FIVE



France Entrepreneurs are weary of regulations, high unemployment, and widespread social fragmentation.



Italy The economy is stagnant and unemployment is high. Corruption and political instability are big problems.



Botswana Ballooning government spending, high inflation, and the AIDS epidemic are taking a toll on one of Africa's few success stories.



Japan Businesses face a shrinking labor pool and tough competition from South Korea and China.



Taiwan Political tensions with the mainland have cut Taiwan off from the world's hottest economy.

Resources To read the World Bank's guidelines for contractors, go to worldbank.org and click on "Resources for Businesses." The Government Accountability Project monitors development banks for rules violations and infractions at whistleblower.org.