

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

Thursday, June 28, 2007

Washington, D.C.

The meeting of the Executive Directors of the Bank and IDA convened at 10:04 a.m., in the Board Room, 1818 H Street, N.W., under the chairmanship of Mr. Graeme Wheeler, Managing Director.

B&B REPORTERS  
529 14<sup>th</sup> Street, SE  
Washington, DC 20003  
(202) 544-1903

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

5. Proposed Second Phase Adaptable Program Lending (Loan) to the Province of Buenos Aires, with the Guarantee of Argentina - Buenos Aires Infrastructure Sustainable Investment Development Project  
President's Memorandum and Recommendation (R2007-0123) 64
6. Proposed Second Phase Adaptable Program Lending (Loan) to Argentina - National Highway Asset Management Project  
President's Memorandum and Recommendation (R2007-0120) 64
- Presentation by Mr. van Trotsenburg...65
- Ms. Jakubowicz..67  
Mr. Hasan.....69  
Mr. Rossi.....71  
Ms. Ortiz.....73  
Mr. McCoy.....74  
Mr. Mogajane....75  
Mr. Yang.....76  
Mr. Deraman.....78  
Mr. Camarasa....87
7. Projects Processed under the Streamlined Procedure: 89
- (a) Proposed GEF Trust Fund Grant to Kenya - Southwest Indian Ocean Fisheries Project

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

President's Memorandum  
and Recommendation  
(GEF/R2007-0016)

- (b) Proposed GEF Trust Fund  
Grant to South Africa -  
Renewable Energy Market  
Transformation Project  
President's Memorandum  
and Recommendation  
(GEF/R2007-0013)
- (c) Proposed IDA Grant to  
Timor-Leste - Energy  
Services Delivery Project  
President's Memorandum  
and Recommendation  
(IDA/R2007-0184)
- (d) Proposed Loan to Croatia  
- Revenue Administration  
Modernization Project  
President's Memorandum  
and Recommendation  
(R2007-0129)
- (e) Proposed Additional  
Financing (IDA Grant) to  
Kosovo - Lignite Power  
Technical Assistance  
Project  
President's Memorandum  
and Recommendation  
(IDA/R2007-0180)
- (f) Proposed Additional  
Financing (IDA Grant) to  
Kosovo - Kosovo Energy  
Sector Clean-Up of the  
Gasification Site Project  
President's Memorandum  
and Recommendation  
(IDA/R2007-0181)
- (g) Proposed Loan to the

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

Istanbul Metropolitan  
Municipality, with the  
guarantee of Turkey -  
Istanbul Municipal  
Infrastructure Project  
President's Memorandum  
and Recommendation  
(R2007-0131)

- (h) Proposed Loan to  
Argentina - Lifelong  
Learning and Training  
Project  
President's Memorandum  
and Recommendation  
(R2007-0128)
- (i) Proposed GEF Trust Fund  
Grant to Argentina -  
Biodiversity Conservation  
in Productive Forestry  
Landscapes Project  
President's Memorandum  
and Recommendation  
(GEF/R2007-0014)
- (j) Proposed GEF Supplemental  
Trust Fund Grant to  
Mexico, Nacional Financiera,  
S.N.C. and Fondo Mexicano  
para La Conservacion de la  
Naturaleza, A.C. for the  
Consolidation of the  
Protected Areas Systems  
Project  
President's Memorandum  
and Recommendation  
(GEF/R2007-0015)
- (k) Proposed Second Phase  
Adaptable Program Lending  
(Loan) to Administracion  
de las Obras Sanitarias del  
Estado, with the guarantee  
of Uruguay - OSE Modernization

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

and Systems Rehabilitation  
Project  
President's Memorandum  
and Recommendation  
(R2007-0126)

8. Record of Previous Approvals: 89
- (a) Proposal to Authorize the  
Amendment of Variable  
Spread Loans and Fixed-  
Single Currency Loans  
(R2007-0130)
9. Other Business 89
- Mr. Williams.....89
10. Date of Next Meeting 90

STRICTLY CONFIDENTIAL

DO NOT REPRODUCE

MR. WHEELER: [REDACTED]

Let's now turn to Items 5 and 6 in just one moment on Argentina.

Let's get under way, and I propose that we take Items 5 and 6 together as they both relate to Argentina.

Item 5 is the proposed second phase of the Adaptable Program Lending (loan) of \$270 million to the Province of Buenos Aires, with the guarantee of the Argentine Republic for the Buenos Aires Infrastructure Sustainable Investment Development Project.

Item 6 is the proposed second phase of the

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

Adaptable Program Lending (loan) of \$400 million to Argentina for a National Highway Asset Management Project.

These second-phase APLs are being considered by the Executive Directors due to changes in the scope of the project activities since the first phase was approved.

Let me thank EDs for their statements that they circulated in advance. I'll shortly ask Axel von Trotsenburg, who is the Country Director for Argentina, to open the floor for us, but let me also say that we have Makhtar Diop, who is the Acting Vice President for LAC, and Manuel Marino, who is a Lead Water and Sanitation Specialist, and Thomas Serebrisky, who is a Senior Infrastructure Economist, with us at the table as well.

Axel, perhaps you can lead off.

MR. VAN TROTSENBURG: Thank you, Mr. Chairman.

We are pleased to present for your consideration two loans for Argentina designed to broaden access to infrastructure services. Both loans are second-phase APLs. We believe that these two operations, as well as the Lifelong Learning Project being presented today on a Streamlined basis, reflect the appropriateness of the investment-led strategy in Argentina under the June 2006 CAS. They also demonstrate the Government's strong

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

implementation of the program.

If the projects presented today are approved, commitments during the first year of the CAS will reach \$1.9 billion.

We would like to thank Messrs. Alkhalifa, Botero, Debevoise, Deraman, Nemli and Ong Seng for their written statement and other chairs for the useful conversations we have had on the project in recent days.

The APL-2 of the Buenos Aires Sustainable Development Project for \$270 million is helping to improve the social and environmental welfare of millions of mostly poor people living in the Greater Metropolitan Buenos Aires area through the provision of transport, water, and sanitation and drainage services.

The project will provide financing for some 50,000 new water and sewerage connections, drainage for 1,200 hectares in urban areas, 450 kilometers of roads to be rehabilitated, and 25 kilometers of roads to be widened.

The APL-2 of the National Highway Asset Management Project for \$400 million is helping develop a road management strategy to sustain the national roads network. This is enhancing economic competitiveness and sustained growth with equity. The project expands the use

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

of performance-based contracts for road rehabilitation and maintenance of at least 75 percent of the nonconcessional national roads network. It also finances the rehabilitation of bridges, implementation of road safety programs, and capacity-building activities.

Regarding the governance aspect of these projects, both projects seek to ensure continued strong governance efforts begun during the first phases. Key measures include the strengthened price monitoring mechanisms, greater transparency in the bidding process, and consistency with the Bank's portfolio-wide Fiduciary Action Plan which was included and described in the CAS of last year.

Mr. Chairman, we look forward to further guidance on the proposed operation.

Thank you.

MR. WHEELER: Thanks very much, Axel.

The floor is open, please.

Ms. Jakubowicz, please.

MS. JAKUBOWICZ: Thank you, Mr. Chairman.

First I would like to thank staff for their clear and comprehensive documents and express our support for both operations, fully in line with the CAS, and which

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

present obvious merits in terms of addressing and reducing key infrastructure weaknesses that the country faces.

Given the strategic place of infrastructure in its economy as well as its potentially pro-poor impact, these two operations are more than welcome. We were also pleased to note how these projects build on the Bank's long-term experience in both this sector and this country.

Having said that, we would like to raise three points. First, as regards the National Highway Project, we were concerned to learn that road safety has not improved since 1990 but has instead worsened. We would be interested in hearing from staff the reason for such a trend, and we wonder if any change has been registered since the Bank's involvement in this area.

Second, although we understand that the loan amounts have been raised to respond to increased costs among others, we were somewhat surprised by the magnitude of this increase. Like Mr. Nemli, we would be grateful to staff if they could provide us with further details on this subject.

Last but not least, besides the merits of both operations, we were a bit surprised by the timing chosen for the Board approval which coincides with the bunching

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

period at the end of the fiscal year. In particular for the National Highway Project, which was initially planned to be approved in 2008, the substantial risk of lack of support from the Government and of ownership of DNV could have justified not rushing the agenda. Moreover, as pointed out by other colleagues, triggers for the second phase have not yet been met. In this regard, we share Mr. Ong Seng's concerns regarding the fiscal trigger for the Buenos Aires project and the importance of a sound fiscal framework.

Regarding the trigger related to the analysis of the roads sector financing for the National Highway Project, we would like to underline that the sustainability of the project in the long run depends on the implementation of cost-effective solutions and so crucially depends over time on the implementation of a sound financing system.

Thank you very much, Mr. Chairman.

MR. WHEELER: Thanks very much indeed.

Mr. Hasan, please.

MR. HASAN: Thank you, Chairman.

As my colleague, I would like first to thank the staff for this work, and this chair welcomes the discussion

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

of these two investments projects for Argentina, both of which we support.

We commend Argentina for the continued strong performance of its economy and the reduction in poverty and the unemployment level. We are pleased that the Bank is responding to the Government's development priorities with a comprehensive road management and infrastructure strategy which will have wider economic ramifications.

Both of these projects will address the great infrastructure needs of Argentina and will serve to enhance competitiveness and growth prospects. In addition, these projects are in line with the Bank's new direction in infrastructure for middle-income countries and with the Argentina CAS.

In particular in relation to the highway project, we are encouraged that despite its remaining idle for one year, the DNV has put it back on track, and the project has been upgraded to "moderately satisfactory," thus showing the commitment of the Government to the aim of the project and the development gap that it aims to fill.

We would like some reassurance on the aspects of both projects. While we appreciate and accept that the reasons for this increase in costs are technical and

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

predominantly due to external factors, we would like staff to reassure us that these increases will not impact the implementation of the CAS or overall envelope as presented to us in May 2006.

We thank staff for the two very good projects and wish Argentina success in implementation of their infrastructure objectives.

Thank you.

MR. WHEELER: Thanks very much, Mr. Hasan.

Mr. Rossi, please.

MR. ROSSI: Thank you, Mr. Chairman.

I also would like to thank Axel and his team for a useful bilateral meeting with our office.

From a development perspective, we share the objectives of these two operations which are aimed at improving the provision of infrastructure services in the Province of Buenos Aires and implementing an efficient road network management strategy as a means of alleviating poverty and supporting the return to a sustainable path of economic growth.

While we can agree with the rationale of these two operations which are very well-designed and were properly described in Table 4 of the CAS document endorsed

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

by the Board in June 2006, we would like to have some clarification on two critical points.

One critical point has already been mentioned by Mr. Nemli and the French chair on the amount of the increase, which is a substantial increase; and the second is the rationale to use resources from the previous CAS. There, we will also have a request.

On the substantial increase, the amount envisaged for both projects is large compared to the amounts described in the CAS. It is US\$120 million for the Buenos Aires Project and US\$200 million for the Highway Project. This is equal to an increase, respectively, of 80 percent and 100 percent.

Could Management elaborate on the results expected by the additional financing that will be granted to these projects? In particular, what has so dramatically changed in the infrastructure sector to justify such a notable increase in cost with regard to the two projects which have already been included in the pipeline, and also, what would have happened to the two projects if we had to stick to the original proposals?

The other point is the rationale for the use of resources from the previous CAS. According to Management,

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

the increase in project costs could be financed by part of the US\$500 million originally allocated to Argentina from adjustment lending operations under the 2004 CAS. However, since the 2006 CAS only allows for investment lending operations, Management has decided to somewhat artificially increase the CAS envelope endorsed by the Board in June, which is equal to US\$3.3 billion [inaudible] to the new CAS period and using it for investment loans.

While we understand the rationale for this decision, we believe the Board should formally endorse the use of the above-mentioned US\$500 million before increasing the CAS envelope. Indeed, while we are currently still moving within the 2006 CAS envelope, being only in the second year of the CAS, we expect to go beyond the agreed US\$3.3 billion ceiling in the near future. We therefore urge Management to bring to the Board as soon as possible, and well in advance with regard to their use, a formal note with a specific request to roll over part of the 2004 CAS resources in the 2006 CAS period.

Thank you.

MR. WHEELER: Thanks very much indeed, Mr. Rossi.

Ms. Ortiz, please.

MS. ORTIZ: Thank you, Chair.

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

We would like to express our support for both projects. We believe that they are clearly consistent with the Bank's MIC Strategy, and we are happy to see that MIC Strategy move forward.

In the case of these two projects, we would like to add that they are also consistent with the principle of furthering Bank involvement in infrastructure, which as we all agree is an essential component of development, especially when targeting people in poorer areas.

Having said that, we wish Argentina every success in the implementation of these projects.

Thank you, Chair.

MR. WHEELER: Thank you, Ms. Ortiz.

Mr. McCoy, please.

MR. McCOY: Thank you.

I would like to follow up on some comments made by my French colleague. We have already issued a statement, and I don't want to refer to that, but I want to note that these two Argentine loans that we are considering today total \$670 million. They are also complex loans that need careful review, both because triggers were missed in the first phase, and in the second phase, disbursements were increased.

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

In addition, there is a \$200 million Argentina loan on Streamlined Procedure today. That, in combination with the Turkey loan of \$500 million, represents \$1.37 billion, more than 10 percent of the entire IBRD lending program this year.

I think it is totally inappropriate that on the last Board date of the fiscal year, we are considering this amount of money on these complex loans, and I hope that Management and I urge Management to avoid a similar situation in the future.

Thank you.

MR. WHEELER: Thanks very much. Your arithmetic is absolutely correct.

Mr. Mogajane?

MR. MOGAJANE: Thank you, Chair.

We also wish to join others in thanking staff for the excellent proposals in front of us.

At the outset, we wish to indicate our full support to the two proposals. We support the Bank's engagement in the programs and recognize the fact that they will contribute to the enhancement in the living standards and conditions of the people of Argentina.

On the Buenos Aires Project, Chair, we welcome

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

the progress made under Adaptable Program Lending Phase 1 and note that the performance levels have been satisfactory. We support an increase in the size of the second phase of the APL, noting that the augmented scope of the operation is within the fiscal capacity of the Province. We further encourage the Province to achieve the acceptable levels of the trigger related to the fiscal framework and believe that this will be possible since there has been progress made regarding the variables that are under the control of the Province.

We urge the Bank to continue its involvement and engagement in ensuring that the challenges and risks identified are mitigated at all costs in the implementation of the projects.

Finally, we wish the Government and the Bank success in the implementation.

Thank you.

MR. WHEELER: Thank you very much, Mr. Mogajane.

Mr. Yang, please.

MR. YANG: Thank you, Mr. Chairman.

This chair supports both operations. I think these two projects are excellent and well-prepared. Having said that, the two operations focus on the provision of

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

infrastructure, which is related to poverty reduction and the future development of Argentina.

I share the views of the French chair and others on the financial sustainability, particularly on such high-valued highway infrastructure and the urban infrastructure. These are the basics for the continuation of the operations after the construction of these assets. So I think the Bank should place emphasis on offering further assistance and TA in this regard.

A second point is on the instruments. I notice on the highway project that originally, the Bank thought should be prepared on the SWAp approach, while later, the standard investment, APL-2. I was wondering whether there is any difference between the SWAp and the standard investment project.

Another point on the APL--I remember that we had an update report on the APL a year ago, and the conclusion was that the APL approach was not as successful as we expected when we developed this instrument. I was wondering if this APL could draw some lessons from experience and could be replicated so that if there is some room to improve, we could have better instruments for the future.

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

Thank you.

MR. WHEELER: Thank you, Mr. Yang.

Mr. Deraman, please.

MR. DERAMAN: Thank you, Mr. Chairman.

We thank staff for this well-written project document. We support these projects given the urgent need for infrastructure development in the country. We would just like to add two points.

First, we reiterate the need for stronger monitoring and evaluation in the second phase of the National Highway Asset Management Project given the experience of the APL-1. In this regard, we trust that staff will implement the necessary measures to improve the procurement process.

Second, we are also concerned about the fiscal risk that may affect the progress of the Buenos Aires Infrastructure sustainable Investment Development Project in the second phase. We would appreciate staff's view on how this will be mitigated in the implementation stage.

In conclusion, we support the proposed loan for the second phase of both projects.

Thank you very much, Mr. Chairman.

MR. WHEELER: Thanks very much, Mr. Deraman.

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

Axel?

MR. VAN TROTSENBURG: Thank you, Mr. Chairman.

Thank you for all the comments and questions.

Maybe starting with the first question, there were a couple of issues raised by the French chair. One was on road safety. Road safety is an issue in Argentina. About 20 people die on Argentine roads every day; it is very high compared to OECD standards. We have also seen that the department has for that reason taken the initiative in every infrastructure project to put an institutional component on road safety.

Progress has not been the way we would like to see it. One thing that one realizes much more is that when you are negotiating a loan with a public works ministry, road safety is not only public works. You need to deal with the justice ministry, you need to deal with the health ministry, and you may also need to deal with education. So, actually, it is a much more complex issue in coordination, and I don't think that one is there. It is for that reason that we have been insisting with the authorities that we work. I think there is a concern on this. It is precisely for that reason that we have included this, and everybody would like to see more

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

progress, obviously.

But I would also say that it is a longer-term effort that will be related to many issues also on education, that people are complying with seatbelts, with helmets, et cetera. So there is still a lot to be done.

There was also the issue raised by the French chair about the timing. We have been in constant contact, and I myself, with the Ministry of Economy to look at how we can best implement this program, and we have been off to a very strong start. At the same time, as you noted, at the end of October, there will be Presidential elections, and I concur with the judgment also from the Government to avoid approvals close to the October date of the elections. We decided to certainly keep the Bank outside of the campaign and see how we could accelerate the preparation of these two operations in order that, then, all of the internal approval processes--as you probably know, before you can get it signed, decrees must be signed by the President; there is a whole internal process which can take months. That is the reason why we actually decided to also respond positively to the request of the Government to prepare it and in that sense also ensure the continuity.

There will not only be a change of Government at

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

the national level but also at the provincial level for the Province of Buenos Aires. So in that sense, this project as it is now being approved will support the continuity of this program.

On the increase of the loan amount, I would say there are two aspects on that. The first is that, of course, when you look at \$400 million, indeed you say that is a very substantial amount. We also need to relate it to the economy. The economy was last year GDP \$220 billion, and with the investment strategy we have been pursuing, we are disbursing on average around \$500 million. We are talking about gross disbursement of 0.2 percent. I am not talking about net disbursements, because they have been consistently negative.

As I have mentioned before, the exposure of Argentina continues to go down, from a peak of \$9.5 billion to currently \$5.9 billion. So we are not talking here about building debt. We are reducing debt, and the Government is in agreement with this strategy, but it is also that this amount needs to be related to the overall size.

There is then a second aspect, and it has been also a concern to staff, and for that reason, we have had

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

enhanced supervision. With an economy which grows 9 percent every year, where you have inflation, where real wages are being recovered in the official sector, it is very clear that this is also having its impact in the construction sector. And it is not only the roads sector. If you look at construction for the private sector, you see very substantial increases. Inflation in the last three years, cumulative on the unit cost, is about 50 percent.

The second part is that there has been the introduction of higher road rehabilitation standards. I have also become an involuntary expert in asphalt thickness. There have been increases in order to avoid the reappearance of pot-holes, which has been an issue. To give you an example, one CREMA contract which was valued at about \$11 million in 2004 would now be valued at about \$25 million for the same thing. So this is an issue.

For that reason, I mentioned in the introduction that there is an extra price monitoring system. I think that particularly also the provincial Government of Buenos Aires has a very good system. Actually, we were quite impressed with what they did in comparing cost developments in all items which affect road rehabilitation.

On the question by the Italian chair about the

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

CAS envelope, when we presented in June 2006 the \$3.3 billion CAS for three years, we mentioned that we were still dealing with about five Structural Adjustment Loans. At that stage, we said we are dealing first with the provincial reform loans to Catamarca Santa Fe and to Cordoba, and we would look at how we could best deal with them. The proposed strategy was to have an investment strategy in place and replace these PRLs with investment projects. Subsequently, we presented to you for your approval and you approved the Cordoba and the Santa Fe operations. Santa Fe was in February.

We also in the tranche release for the Health SECAL, the last tranche, made reference to this strategy as well as to what we would be doing with the ERSAL. There were two operations. There was the Health SECAL of \$150 million where the Government complied 100 percent; we made a recommendation to the Board that we release the \$150 million, which was released in early March. Then there was the \$500 million Economic Recovery SAL, where that loan was never signed and made effective and expired as of the end of December last year. We mentioned in the tranche release memo that we would now be pursuing a similar strategy as we had pursued with the PRLs, namely, to replace them with new

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

investment operations. At this stage, what we have done thus far is, if these projects are approved, the Board will have approved 1.9 out of 3.3. We have also said to the Board that we would come back with a progress report probably in the first half of 2008, and in particular then, we can also report on the new Government and on the implementation of the CAS strategy to date. At that stage, we can then summarize where we are with our loan program and whether additional financing needs are required.

My sense is that there has been a very strong relationship and strong momentum from the Argentine side for financial support. That part will be discussed in detail in the progress report.

A final remark about the monitoring, where I think Mr. Deraman made a point on this. We fully agree with this, and that is the reason why we have the Fiduciary Action Plan. I think we have had quite strong portfolio management in place. Again, in the crisis, we had 55 percent problem loans; to date, we have zero problem loans in our portfolio. We have worked hard. We have the Fiduciary Action Plan. We have the first plan in the World Bank Group where all contracts, all procurement, is put on the website. This is done together with the Government.

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

Every contract from consultancy to bid is put on the website. So we are continuing to try to make it as transparent as possible.

We also have a project where we have questions and where there are procurement challenges or concerns, we have enhanced supervision norms in place, and if that is not enough, we do extra. We have a team in Buenos Aires which is working on a daily basis. So I think we actually have the mechanisms and instruments in place to ensure adequate implementation and supervision.

Maybe the two task managers could answer on the financial sustainability of both projects.

MR. SEREBRISKY: On the financial sustainability and the unmet trigger, on the road financing, at the time of preparation of the APL-1 in 2003-2004, the objective of the road financing study was to ensure a sustained flow of financing for the program. Argentina was just recovering from one of the deepest economic crises in its history. By 2007, the road agency's budget had increased threefold, allowing this agency to fund not only maintenance but also capacity expansion projects.

In this new context, the study supporting the definition of the road financing strategy--which, by the

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

way, will be completed by October 2007--is now emphasizing the efficiency of federal road funding arrangements as well as transparency and accountability of their use.

That's on the APL-2.

MR. MARINO: As my colleague has already dealt with the issues related to the road components, I will concentrate on the water supply and sanitation and on the drainage components of the Buenos Aires project.

For the water supply and sanitation, the Province has made important advances in developing a new regulatory framework for the operators who will be eligible under the project.

The project also includes eligibility criteria which look into the sustainability of the system both in terms of the quality of the service, the efficiency with which the service is provided, and the adequate financing mix that is available for the companies to be able to provide not only the service but also to operate and properly maintain the infrastructure that is being constructed.

Just recently, the Province of Buenos Aires increased the tariffs for consumers of commercial and industrial, roughly 15 percent, but even more important

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

from our point of view, there is a tremendous effort being made to reclassify the consumers properly, so that those who are really commercial or really industrial are billed under that scheme and not under the domestic part.

As I said, similar to what happens in the case of roads, the project includes very precise eligibility criteria. One of the key elements for the eligibility criteria is the financial sustainability of the companies.

MR. WHEELER: Very good. Thanks very much.

Is there any further comment before we conclude?

Mr. Camarasa, please.

MR. CAMARASA: I would like to say something only on the particular occasion that we are going through today, and it is the fact that the Country Director for the Bank in Argentina, Axel van Trotsenburg, is leaving our country, and frankly speaking, we sense a deep sense of gratitude to him for the extraordinary job done--and we are not talking just in the normal terms that these things are said. He was there during the crisis which in our estimation has been the worst crisis in our history, and he really understood and cooperated in trying to push things forward.

For that reason, I would like to singularize him and our deep appreciation to all the staff here in the

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

World Bank and also the people who are working in Buenos Aires under his direction.

Thank you, Chair.

MR. WHEELER: Thank you, Mr. Camarasa.

Let me make a couple of points. The first is on Chris McCoy's point, because I have a lot of sympathy for that. Ten percent of the lending program coming in the last meeting of the year does not sound like good governance arrangements. In both the cases of Turkey and Argentina, however, there are elections pending, and the governments in both cases have made very strong requests to the Bank that these projects go ahead at this particular point in time, or at least go before the Board. But in principle, I think you are absolutely right.

Let me also agree with Mr. Camarasa, because Axel is many things as well as a wonderful Country Director for Argentina. He really is an expert on the depth of asphalt--I have seen his memos in the Bank. But you have demonstrated once again in coming along here just how rigorous and thorough you are in your analysis and your willingness to be very open with the Board, and it is highly appreciated.

The program with Argentina has been particularly

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

successful, and it is a great credit to you and your colleagues.

Let me thank EDs for their comments and their interest and conclude that the loans are approved on the terms proposed.

Let me quickly turn to Item 7, which is the Record of Loans and Credits Proceeding under the Streamlined Procedure. If there is no objection, the items are approved on the terms proposed.

As Item 8, the minutes of today's meeting will record your previous approval of the items listed on the agenda.

Item 9 is Other Business.

Mr. Williams?

MR. WILLIAMS: Thank you very much, Mr. Chairman.

This won't be long, but it is a request for Monday's Steering Committee. As Chris just pointed out, we have been through a record day--in two hours, over \$1.5 billion dealt with. On Monday's Steering Committee, presumably, we're going to have a report on lending this year, disbursements and agreements by the Board, and it would be helpful if--normally, that process is pretty quick and quite difficult to follow--it would be quite useful if

**STRICTLY CONFIDENTIAL****DO NOT REPRODUCE**

staff could circulate something either just before or just after so that we can at least get some thought process around that and what it means to the institution because, as I said, normally, in the past, staff have read it out, and it is quite difficult to follow. I think that some reflection on these figures this year, which I think again are another record, would be helpful, especially given the bunching we have had in May and June--if that's okay. I don't think it has to be very detailed, but something on paper would be very helpful.

Thank you.

MR. WHEELER: Sure. Let me check.

MR. OFOSU-AMAAH: We'll call Kyle Peters.

MR. WHEELER: Yes. We'll try to get something together; sure.

Item 10 is the Date of the Next Meeting, which is set for Tuesday, July 3, 2007.

If there is no other business, the meeting stands adjourned, and we will reconvene in a meeting of the Board of Directors of IFC shortly.

[Whereupon, at 12:15 p.m., the Bank/IDA business was concluded.]