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PERFORMANCE AUDIT REPORT

ARGENTINA

CAPITAL MARKETS DEVELOPMENT PROJECT
(LOAN 3709 - AR)

June 20, 2000

Operations Evaluation Department

Currency Equivalents

Currency Unit = Peso
US$1.00 = Peso

Fiscal Year

January 1 - December 31

Abbreviations and Acronyms

BANADE	Banco Nacional de Desarrollo – National Development Bank
BCRA	Banco Central de la Republica Argentina – Argentina Central Bank
BF	Backstop Fund
BICE	Banco de Inversiones y Comercio Exterior - Investment and Foreign Trade Bank
BNA	Banco de la Nacion Argentina – Argentine National Commercial Bank
CAJA	Caja Nacional de Ahorro y Seguro -- National Savings and Insurance Bank
CNV	Comision Nacional de Valores – National Securities Commission
DDSRL	Debt and Debt Service Reduction Loan
FIL	Financial Intermediary Loan
FSAL	Financial Sector Adjustment Loan
FSP	Financial Sector Department of the World Bank
GDP	Gross Domestic Product
ICR	Implementation Completion Report
IDB	Inter-American Development Bank
IMF	International Monetary Fund
SEF	Superintendencia de Entidades Financieras – Superintendency of Banks

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The World Bank
Washington, D.C. 20433
U.S.A.

Office of the Director-General
Operations Evaluation

June 20, 2000

MEMORANDUM TO THE EXECUTIVE DIRECTORS AND THE PRESIDENT

SUBJECT: Performance Audit Report on Argentina – Capital Market Development Project (Loan 3709-AR)

Attached is the Performance Audit Report for the Argentina Capital Market Development Project (CMDP, Loan 3709-AR) in the amount of US$500 million. The CMDP was approved on March 1, 1994, and became effective August 31, 1995. The Loan was canceled on March 17. 1997. Disbursements amounted to $106.35 million, or about 21% of the loan.

The purpose of the loan was to help accelerate capital market development in Argentina through the creation of a Backstop Fund (BF) that would provide medium to long-term funding coverage to financial institutions in the bond market. The project included some macroeconomic policy conditionality, in addition to the basic goal of developing the Backstop Fund and assuring its successful operations. In order to enhance the sustainability of this innovative mechanism, the project supported some basic improvements in market infrastructure in terms of the effectiveness of the securities exchange commission (CNV).

The Capital Markets Development Project (CMDP) was based on an innovative concept in development financing. Unfortunately, while well intentioned, the structuring of the project, its timing, the institutions involved, and the market participants conspired to bring about its early demise. Within the Bank, this project provoked a clash between two competing institutional cultures: a newly organized capital markets group versatile in financial engineering techniques, Financial Sector Development (FSD), and the traditional development financing function. Originally designed as a banking sector loan (FIL), it was subsequently re-classified as a capital markets loan. The search for a new product was driven by the perception at the time that the fast pace of reforms in Argentina, combined with strong Borrower commitment to continue the reform process, would justify a leap in market development and sophistication. However, the Bank's traditional loan policy restricted the scope for capital market innovation, and thus led to the creation of a hybrid which ultimately failed to meet the original objectives.

The CMDP became a casualty of: (i) well-intentioned but experimental concepts in development financing; (ii) a complex structure in a rigid institutional framework applied in a volatile market; (iii) insufficient information by the Bank about capital market conditions; and (iv) lack of implementation capacity by both the Bank and the Borrower.

The market was not prepared for the BF. Delays in implementation detracted from the loan's effectiveness. The loan did not become effective until 17 months after Board approval. Significant delays were experienced both in loan signing and in effectiveness. The novelty and complexity of the BF resulted in long delays in preparing the legal documentation. Then the Mexican crisis provoked another delay as the Bank attempted to amend the loan with a temporary shortstop for the backstop. Additional delays were encountered as a result of some problems with the legal language involved in the Financial Manager's (Salomon Brothers) engagement contract. When the Fund finally went live, the initial auctions received a feeble response. After the price of the BF commitments was made more attractive, there were a handful of takers before the amount of commitments, $200 million, triggered the First Project Review. The Bank subsequently decided that the performance of the BF had been unsatisfactory and that the loan should be cancelled. The loan was thus cancelled on March 17, 1997

The outcome of the CMDP is judged to be *unsatisfactory*, sustainability *unlikely*, institutional development impact ***negligible***, and Bank performance *unsatisfactory*. All of these ratings are in agreement with the ICR. The project did make positive contributions in terms of the support of macroeconomic policies and the strengthening of CNV's regulatory capabilities. But the goal of capital market development fell short of expectations. On the other hand, the novelty of the Backstop Fund may have set in motion more creative thinking in the financial markets. For example, leasing and securitization activities have started to take hold in recent years, and contingent financing, involving a $6.2 billion repurchase facility with foreign commercial banks successfully negotiated by the Central Bank in 1996. However, while the banking system has made significant progress in terms of modernization, efficiency, and adjustment to globalization, the capital markets agenda has not been as successful. A key lesson is that the lack of adequate sector work completed prior to loan preparation was a material factor in the operation's weak design and consequent unsatisfactory outcome.

Contents

This report was prepared by Manuel Lasaga (Consultant), who visited Argentina in May 1999. John Johnson is the Task Manager. Betty Casely-Hayford and Agnes Santos provided administrative support.

Preface

This is the Performance Audit Report (PAR) on the Argentina Capital Markets Development Project (Loan 3709-AR), approved in March 1, 1994 for US$500 million. The loan became effective August 31, 1995, and US$ 393.65 million was canceled on March 17, 1997. Disbursements amounted to $106.35 million.

The purpose of the loan was to help accelerate capital market development in Argentina through the creation of a Backstop Fund that would provide medium to long-term funding coverage to financial institutions in the bond market. The project included some macroeconomic policy conditionality, in addition to the basic goal of developing the Backstop Fund and assuring its successful operations. In order to enhance the sustainability of this innovative mechanism, the project supported some basic improvements in market infrastructure in terms of the effectiveness of the securities exchange commission (CNV).

The PAR is based on the Implementation Completion Report prepared by the Latin America Regional Office and issued on June 23, 1998, the President's Report, the legal documents, project files, related economic and sector work, discussions with Bank staff, government and Central Bank documents.

An OED mission visited Argentina in May 1999 to discuss project performance with Government officials, members of the banking and business communities, and World Bank field staff. Their generous cooperation and assistance in the preparation of this report is gratefully acknowledged.

The draft PAR was sent to relevant officials in the Government for comments. However, no comments were received.

Ratings and Responsibilities

Performance Ratings

	ICR/OED	*PAR*
Outcome	Unsatisfactory	Unsatisfactory
Sustainability	Unlikely	Unlikely
Institutional Devt. Impact	Negligible	Negligible
Borrower Performance	Unsatisfactory	Unsatisfactory
Bank Performance	Unsatisfactory	Unsatisfactory

Key Project Responsibilities

	Task Manager	*Division Chief*
Appraisal	Mauricio Carrizosa	Paul Meo
Completion	Stefan Alber	Paul Meo

1. BACKGROUND

1.1 At the time of loan preparation during 1992, the Argentinean economy was reaping high dividends for the success of its economic reform program. From 1992 through loan signing in 1994, GDP growth averaged 8.3 percent per annum. By 1994, average annual inflation had shrunk to 4.3 percent, from more than 3,000 percent in 1989. The fiscal accounts were basically in balance. The Convertibility Plan, which was comprised of the following components: the Convertibility Law, fiscal reform, public sector reform, Social Security reform, and trade policy reform, was well on track.

1.2 Despite the excellent developments in furthering macro-economic reforms, conditions in the capital markets were not up to par with the structural demands of this project. On the other hand, new legislation, stronger regulatory institutions, and a stable macro-economic environment favored a deepening of the financial intermediation process. While policy makers were very knowledgeable and highly qualified for the task at hand, the financial and capital markets were still shallow, with significant inefficiencies, and a lack of competition.[1] While highly successful, the Convertibility Plan was only two years old. Financial sector reforms supported by the FSAL (1993) had bolstered the technical expertise of banking regulators, had opened the way for Argentina's return to the international financial markets, and had begun to address the need to reduce the role of the state in financial intermediation. But once again, these were initial steps along a slow-moving learning curve, a process that cannot be accelerated.

1.3 According to the *Capital Markets Study*, the banking sector suffered from a high real cost of credit, high intermediation margins, and widespread inefficiencies. As typical of emerging markets, both assets and liabilities were of a very short duration. Banks faced a barrier for funding beyond the two-year horizon, and thus held their lending to within this timeframe. The industrial sector was in the midst of restructuring with a heavy emphasis on plant modernization. This generated demand for medium- to long-term financing. On the other hand, the bond market was dominated by public sector debt securities, with minor participation by commercial banks and non-financial corporations.

1.4 On the external front, a rising current account deficit, precipitated by the release of pent-up demand following market liberalization, and the exigencies of the monetary policy rule, which linked growth of domestic liquidity to rising international reserves, greatly increased demand for external borrowing. Privatization was playing an instrumental role in attracting capital flows. Liberalization of interest rates was also encouraging money market investors. As part of its country support strategy, the Bank was also committed to supporting the Covertibility Plan through an active lending program.

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[1] See The World Bank, *Argentina: Capital Markets Study*, Report No. 12963-AR, December 21, 1994, for a description of market conditions at the time of loan preparation.

2. OBJECTIVES AND DESIGN OF THE LOAN

2.1 The Capital Markets Development Project (CMDP) for US$500 million was approved in March 1994 and made effective in August 1995. After signing in November 1994, the Loan's objectives were re-formulated in July 1995 in response to the Mexican crisis to allow for short-term financing. Despite these efforts, fundamental design and implementation problems, as well as unforeseen external factors, led to the decision to cancel the Loan in March 1997.

2.2 As per the *Staff Appraisal Report*, the *President's Report* and the *Loan Agreement*, the main objective of the CMDP was:

> To accelerate capital market development in order to help Argentina meet growing investment demand. Specifically, the Project would promote the development of an orderly and efficient market for debt securities of commercial banks in the territories of the Borrower and to support longer term lending by such banks for productive purposes.

2.3 In order to achieve this objective, the project was designed as follows (numbers in parentheses indicate the formal review date: 1 is mid-term review; and 2, second review. Also FSAL indicates cross-conditionality with the Financial Sector Adjustment Loan).

General Conditions:

- Macroeconomic policy framework consistent with the objectives of the program (1, and 2)
- No interest rate subsidies to commercial borrowers (1, 2, and FSAL)
- SEF has completed on-site examinations for 97 percent of banks, plus application of remedies for banks not in compliance (1 and FSAL)
- Central Bank has not provided rediscounts to Provincial banks (1, 2, and FSAL)

Improving Access by Banks to Medium to Long-Term Funding in the Capital Market:

- Create a Backstop Fund that would offer bond "options" to assure the refinancing of existing or new bonds issued by qualified financial intermediaries (1 and 2).
- Ensure that BICE's appraisal of financial intermediaries that participated in the Backstop Fund conformed to the agreed Appraisal Manual (1 and 2)

Support the Development of Market Infrastructure

- *Comision Nacional de Valores* (CNV) will enforce Resolution 227 dealing with investigations and application of penalties for breach of Board of Exchange rules (1 and 2).

- Enactment of prudential regulations dealing with capital adequacy and supervision (1, and 2).

- Strengthening of CNV's organization and management through an institutional development program (1 and 2).

- Assure that regulations, which enable the development of mutual funds are in full force.

2.4 This project addressed an important constraint to investment activity, mainly the lack of financing, particularly for small- to medium-sized businesses. It sought to achieve this goal through the development of a capital market instrument, rather than the traditional Financial Intermediary Loan (FIL), the workhorse for the Bank's development lending. The traditional FIL is a Bank loan to a Development Financing Institution in a borrowing country, which then lends the funds to commercial banks, which in turn on-lend the funds to productive enterprises. The capital market instrument introduced by the CMDP was the issuance of options to cover the risk of refinancing medium-term bonds, and thus allowing the local banks to effectively extend the original maturity of the bonds. This was the first operation of its kind by the Bank. The institutional development aspects were a good complement to the basic project structure, since they helped to prepare the way for a viable secondary market for fixed income securities in Argentina. To ensure market confidence and liquidity, and thus encourage the holding of medium to long term securities, it was important to strengthen the enforcement capabilities of CNV.

THE PROBLEM: APPLYING A HIGHLY SOPHISTICATED DESIGN TO A PROJECT WITH SHIFTING OBJECTIVES IN A MARKET WITH LIMITED CAPABILITIES

2.5 While the design of the project appeared quite logical and relevant on paper, market realities did not justify the premise for accelerating the development of capital markets. The CMDP became a casualty of: (i.) well-intentioned but experimental concepts in development financing; (ii) a complex structure in a rigid institutional framework applied in a volatile market; (iii) insufficient information by the Bank about capital market conditions; and (iv) lack of implementation capacity by both the Bank and the Borrower. The capital market development objective was actually reformulated during project preparation. The first Staff Appraisal Report had proposed the introduction of debt securitization as the vehicle to foster capital market development; then less than a year before Board approval, a completely new structuring was introduced in the form of a Backstop Facility. This constituted a major change in project focus that led to subsequent delays, not only in terms of Board presentation, but also in terms of project effectiveness. Despite concerns about the Convertibility Law and the need to make available more liquidity to the Central Bank, the loan was structured as a contingent financing facility, with the expectation that it would not have to disburse.

2.6 The design of this project did not follow the traditional pattern at the Bank. The design itself was a wide departure from the typical Bank lending operation. There were no policies and procedures for structuring a contingent financing operation. By trekking on new territory the Bank took on a very risky proposition involving a large amount of funds – $500 million.

2.7 Delays in project design also contributed to the "bad timing" in that loan effectiveness occurred at the least favorable time, during the 1995 banking liquidity crisis, when anything other than short-term borrowing was precluded from the market and interest rates reached exceedingly high levels. Had the loan been operational prior to that crisis, <u>and</u> had local banks purchased the Backstop Fund's refinancing coverage, then at the time of the crisis, these financial institutions could have assured themselves of continued mid-term funding. This hypothesis, which is shared by the ICR, critically depends on market demand. If the instrument were not designed right, however, then banks would not have purchased the options to begin with.

2.8 Some of the participants interviewed for this Performance Audit Report (PAR) were of the opinion that insistence on certain policy reforms contributed to delays in loan preparation and subsequent implementation. The more contentious issue was the liberalization of interest rates. As with the parallel FSAL, the Bank insisted on eliminating all interest rate subsidies.

2.9 The other policy stand-off between the Bank and the Borrower dealt with the goal of privatizing the development-financing agency BICE. BICE was a government development financing institution, which had just been created in 1992. As the successor to BANADE, under liquidation at the time, its staff was comprised of mostly ex-BANADE employees. The Bank insisted on the privatization of BICE before loan approval. However, no rationale was given as to what value a one-year-old government financial agency would have for a private sector investor. The Government actually awarded a contract to Morgan-Grenfell and Price Waterhouse in the end of 1991 to set up BICE within two months and to privatize it within eight months. If the goal was to privatize it, then it would probably have been more efficient not to pay a consulting firm to set it up to begin with.

2.10 Even though privatization of all financial intermediaries may be a desirable goal, the Government still needs to channel lines of credit from multilateral institutions through a government development financing institution. For this reason, the Government wanted to support the development of BICE as a second tier lending institution. If this was the goal, then it was unclear what the privatization of BICE, if it could be privatized, was supposed to accomplish; yet, insistence on this issue delayed project preparation and approval.

Well-intentioned but Experimental Concepts in Development Financing

2.11 Based on the Executive Project Summary of September 1992, this project was first proposed as a Capital Markets Development Loan, a FIL with the credit line channeled through BICE. According to the proposal, the lengthening of sub-loan maturities would be achieved through the securitization of loans with short remaining maturities. However, at that time the Bank was concerned about the failure of past FILs in Argentina, and particularly the BICE capacity to effectively implement the project. Management was also interested in a "new product." The Regional VP at the time also expressed concern about how many more financial sector loans could be justified.

2.12 Skeptic response to the Region's initial proposal of a FIL led to intensive efforts to find an alternative structuring of a $500 million loan to Argentina. The then newly created FSD expressed concerns about BICE's capabilities in view of the fact that most of its staff had transferred from the defunct BANADE. In their view, FILs had always supported weak banks. On the other hand, credit securitization was new to Argentina, and the legal environment was not conducive to this type of instrument. Thus, the region's original securitization proposal was not considered feasible at that time. The Financial Sector Department of the Bank (FSD) then proposed a scheme that would provide the minimum support to get the capital markets rolling. According to their analysis, the possibility of commercial banks raising medium- to long-term funds in the bond market would in turn enable these banks to finance investment activities by industrial enterprises. The Bank thus turned its attention to the development of the local bond market. This new scheme involved sidestepping BICE by promoting the capital market directly and thus avoiding the failures of previous FILs. The Bank proposed the use of a so-called Backstop facility to extend the maturity of bank issued bonds in the local market. The Backstop Fund (BF) would issue commitments that would assure the issuer a minimum maturity for its bonds. Interestingly, the Bank felt that the writing of options in a market that had never traded futures nor derivatives, other than currency forwards, which are still being traded today, was easier and more productive in terms of institutional development, than the securitization of loans. Yet loan securitization, partly through the initiatives of the National Mortgage Bank (BHN), has become one of the more successful innovations in the financial markets since the mid-1990s.

A Complex Structure in a Rigid Institutional Framework Applied to a Volatile Market

2.13 Unfortunately, an attempt to design a highly innovative and complex mechanism boomeranged the very institutions the Bank was reluctant to support. The administration of the Backstop Fund (BF) was assigned to BICE. Based on the recommendations of FSD, the BF was supposed to be structured as a market-based instrument without interference of government owned development banks such as BICE. As the ICR stated, market constraints would help discipline the government. However, the contradiction in this argument was that someone had to run the BF, and the only available candidate, or at least the one supported by the government, was BICE. Thus the design of this project was not able to break with the past. The innovative character of this project was compromised when the Bank assigned its management to the very institution it had disapproved from the start, and which was only equipped to handle the type of financial intermediation the CMDP sought to eliminate. In effect, this decision proved to be one of the factors behind the project's cancellation. While the project involved the hiring of a reputable international investment-banking firm, the role of this consultant was strictly to serve as investment advisor and not to provide operational guidance.

2.14 The choice of a backstop facility was innovative, although unusual as a capital markets development vehicle. Its structure became overly complicated. For instance, in the U.S. Commercial Paper market similar arrangements are utilized, but in these cases financial intermediaries issue Stand-by Letters of Credit or some other forms of guarantees that are very familiar to bankers. The CMDP introduced options, in other words, participating banks would buy European put options, written by the BF, to hedge the funding of their bonds. The banks would issue a bond – for three years, renewable for another three. This instrument was referred to as a BON – a dollar-denominated bond issued by a bank that qualified for coverage under the BF. If for some reason they were unable to renew the term, they could exercise their option at the end of the three-year term and the BF would acquire the bond. At this point the BON would become a FON – a dollar-denominated bond issued by a bank that was purchased by the BF in order to refinance the original BON.

2.15 The use of options was fraught with limitations. Options had never been traded in Argentina. Banks were thus unfamiliar with this type of instrument. There was insufficient information to value the options; for instance there was no reliable yield curve for government securities. At the same time, there was no liquid corporate bond market, which could be used to establish the market price of risk. These options could not be traded in the secondary market. And the buyer was not acquiring the right to exercise it, but a contingent right, based on some financial performance criteria. And finally, in order to buy an option contract, a participating bank had to demonstrate that it had made what were called Term Eligible Loans (TEL). The use of the TEL device was a response to the Bank's own lending policy, which requires that any financial operation has to be geared to direct financing of productive private enterprises.

2.16 Unfortunately, the liquidity crisis in 1995 brought home the volatile nature of the Argentinean financial system. The development of an options market would not have worked well in a volatile market.

2.17 Nevertheless, the Bank considered that the success of economic reforms since 1991 had reached a critical mass in terms of financial market development that would justify a risky but potentially highly beneficial innovation for the capital markets. In recommending this design, FSD was looking for the minimum support to get the capital markets rolling. It was the beginning of a credit rating culture. FSD was aiming to meet a need of the moment in a fast growing market, hoping the Bank would play a role.

2.18 The requirement that the financial institution match the amount of the FON with TELs was anathema to capital markets transactions. For instance, if the TELs were required by the BF in order to issue a commitment, then it is conceivable that the bank could sell these loans after obtaining the commitment; and if the BF required the TELs at the time it acquired a FON, then the bank could simply buy TEL type loans from other banks prior to the exercise date of the option. In other words, the TELs conditionality did not really add to the value of the operation. Based on interviews for this report, it appears that the participating banks simply looked for loans on their books that satisfied these criteria and then forwarded the appropriate list to BICE for approval. If so, the value added of this conditionality was minimal, while it added to transaction costs.

2.19 More importantly, the role of the TELs should be analyzed in terms of the objectives of the project. If the goal was to increase lending maturities to industrial enterprises, then a FIL would have been the recommended approach.[2] On the other hand, if the goal were to increase banks' access to medium- and long-term funding in the bond market, then the TELs would not have been necessary; they only increased transaction costs. In fact, the lack of demand for backstop commitments, or the purchase of options, was in part attributed by those banks interviewed to the extensive procedural requirements associated with the execution of each commitment caused by the project's rigid institutional framework. If, as implied by the project design, the goal was to increase the length of funding <u>and</u> to require that banks lend these funds directly to industrial enterprises with matching maturities, then it appears this project was being overly intrusive in the financial markets, thus defeating its original intention of minimal intervention. A bank would normally borrow long-term funds in order to lend long-term; otherwise it would be incurring interest rate risk. If as the Bank claimed during loan preparation, the financial market in Argentina was highly sophisticated, why should a bank have to be told that it had to lend long if it borrowed long?

Insufficient Information about Capital Market Conditions

2.20 One of the key ingredients for successful project design is extensive research and sector work. In the case of the CMDP, the diagnostic work was done after loan approval.[3] The capital markets study pointed to a number of deficiencies in the development of the capital market in Argentina that would have argued for a different approach to the design of this project. For instance, it discussed the legal limitations to securitization, and the lack of breadth and depth in the bond market. According to the study, the Argentinean capital market was not yet at the level of sophistication implied by the complex financial transactions envisioned in this project. On the other hand, the Government and market players were highly knowledgeable, but they required more experience, improved technology and trading infrastructure.

2.21 The Regional Loan Committee Meeting on May 14, 1993 discussed the effects of distortions in financial markets on the project's success. One of the issues raised was whether the project could make a significant contribution to capital market development without addressing underlying financial sector distortions.

2.22 According to the ICR, "the project became an experiment, a piece of R&D [Research and Development] by the Bank." This report agrees with part of that assessment, the CMDP was an experiment, but unfortunately it was weak on R&D. As stated earlier, the concept of a backstop facility was interesting, and this structure works well in sophisticated financial markets such as

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[2] Either way, the only option for an implementing agency was BICE, which the Bank felt was not the ideal institution for this project.
[3] See *Argentina: Capital Markets Study*, Report No. 12963-AR, December 21, 1994.

Japan, but its application to the financial markets in Argentina was not well founded, both in terms of the demand and supply factors.

2.23 When the Government approached the Bank to restructure the project in March 1995, the Bank was already aware of the conclusions of the Capital Markets Study. The Government's request for restructuring would have been a good opportunity to re-assess the whole operation. As experience demonstrated, it is better to delay and get the structuring right than to patch up a problem and then have the loan go sour.

2.24 One of the reasons given for the lack of demand for the FONs was that banks were not interested in lending long. Perhaps the creditworthiness of their clients did not merit a long exposure. In this regard, ESW could have focused more on the development of the industrial sector. A comprehensive Bank study of the industrial sector in 1988 pointed to significant structural problems and made recommendations for effective development policies.[4] An updated analysis of the principal industries, recent trends, financial performance, and investment requirements would have revealed more information on the depth of the market for medium- to long-term financing and the feasibility of bank lending to industrial enterprises.

Lack of Implementation Capacity by both the Bank and the Borrower

2.25 The Bank provided the intellectual capital for the design of this highly innovative project. It seized on an intriguing market-based approach to the extension of financial market maturities. However, the Bank did not have any prior experience in managing these types of operations. Normally, development of a new project requires a fairly extensive amount of experimentation. Even in investment banking, highly complex innovations are usually managed initially within a very limited scope. Also, investment banks have extensive experience in taking new instruments to the market. In the same fashion, the Bank has a strong comparative advantage in the design of certain types of development loans such as FILs and Structural Adjustment Loans. In the case of the CMDP, the Bank had a very good idea, but no implementation experience to support it.

2.26 As mentioned earlier, at the time of loan preparation, Argentina's capital market was in the initial stages of development. The country had at last entered a period of stable inflation, after decades of hyper-inflation. It was a time to work on financial deepening. The banking system was in need of major reinforcement, as the 1995 crisis demonstrated, and which in turn the Bank supported through the Provincial Banks Privatization Loan and the Bank Reform Loan. During the mission, financial intermediaries observed that today the only futures and derivatives traded in the market are still currency forwards. The entity assigned the administration of the project was BICE, a mezzanine development financing institution with no prior capital markets experience. As requested by the Borrower, BICE accepted the Bank's design for the project. As one BICE official remarked, their expertise is in project financing through financial intermediary lending. Yet they were asked to become investment bankers and to administer the development of an options market. This was a tall order.

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[4] The World Bank, *Argentina: Industrial Sector Study*, Report Number ???, April 1988.

REFORMULATION OF OBJECTIVES IN RESPONSE TO LIQUIDITY CRISIS IN 1995

2.27 Following the Mexican crisis in December 1994, the Borrower asked the Bank to restructure the loan to allow for short-term financing. This incident further delayed loan effectiveness. Clearly the banking system at that time was under severe liquidity pressures, and practically all the banks were locked out of the bond market. In addition, it was felt that when the banks with existing bonds were to go to the market to refinance these maturities, the rise in interest costs would seriously compromise their financial position. Since the loan had already been signed, the Bank responded with an amendment to the loan.[5] Once again, this would have been the moment to reassess the objective of the project and to consider a different approach. After all, the original research and development work was very valuable and the design experience could have been applied to Bank project or to Argentina at an appropriate time in the future.

2.28 The Bank responded to the liquidity crisis by carving out a one-year window period during which time banks could access the BF with only a one-year tenor, which included previously- issued bonds, and the TELs could be existing loans that had a remaining maturity of at least one year. This changed the project from a source of medium- to long-term funding to a liquidity line of credit. Nevertheless, when the loan finally became operational, the liquidity crisis had already subsided, and thus prime-rated Argentinean banks, which were the candidates for this project, had already started to go to the Eurobond market where they were able to obtain funding on more attractive terms. When the amendment was submitted in July 1995, interest rates in the local market had already returned to more normal levels, so that the original concerns of the Government were no longer applicable.

3. IMPLEMENTATION

3.1 The market was not prepared for the BF. Delays in implementation detracted from the loan's effectiveness. The loan did not become effective until 17 months after Board approval. Significant delays were experienced both in loan signing and in effectiveness. The novelty and complexity of the BF resulted in long delays in preparing the legal documentation. Then the Mexican crisis provoked another delay as the Bank attempted to amend the loan with a temporary shortstop for the backstop. Additional delays were encountered as a result of some problems with the legal language involved in the Financial Manager's (Salomon Brothers) engagement contract. When the Fund finally went live, the initial auctions received a feeble response. After the price of the BF commitments was made more attractive, there were a handful of takers before the amount of commitments, $200 million, triggered the First Project Review. The Bank subsequently decided that the performance of the BF had been unsatisfactory and that the loan should be cancelled. The loan was thus cancelled on March 17, 1997.

3.29 According to the First Project Review, four of the 14 conditions in the Loan Agreement were not being met: (i) the fiscal surplus was below target; (ii) BICE was not adhering to the

[5] See President's Memo, *Amendments to the Loan Agreement*, R95-141, July 7, 1995.

bank appraisal policy agreed to with the Bank (iii); CNV's development program was not proceeding according to plans; and (iv) CNV was not applying the net liquid capital rules for stock brokers. With respect to the BF, the Review concluded that proper procedures were not fully in place; that marketing efforts had been unsatisfactory; and that the financial reports of BF were in need of clarification.

Evolution of the Backstop Fund

3.30 The BF was established in November 1994 and became operational in August 1995 when the Borrower launched the project's road show. Due to weak response to the initial auctions, the forum was changed to that of direct negotiations between the banks and the BF. The price negotiations were based on a table of indicative prices that BF circulated on a regular basis and which were compiled from calculations performed by the Financial Advisor. As the table shows, there were only four auctions and one direct negotiation before the first formal review of the project.

Backstop Fund: Chronology of Auctions and Direct Negotiations

	Date	*Amount purchased*	*Bank*
Auctions:		(millions)	
First	September, 1995	US$ 45	Bansud
Second	November, 1995	US$ 40	Quilmes
		US$ 15	Credito Argentino
Third	December, 1995	US$ 20	Suquia
		US$ 5	Bansud
		US$ 25	Republica
Fourth	March, 1996	NO BIDS	
Direct Negotiations:	July, 1996	US$ 50	Bansud
TOTAL		US$ 200	

3.4 The commitment price was the equivalent of the options premium and was payable upon signing of the commitment contract. If the bank exercised the option to sell the BON, then BF charged a commitment fee at the time the BON was converted into a FON. This fee was established by BF based on its costs of operation.

3.5 Three of the banks exercised their options, Bansud, Quilmes, and Credito Argentino. When the project was cancelled, the decision was made to liquidate BF. The sale of BF's holdings of the FONs from these three banks as part of its liquidation in 1998 resulted in a capital gain of US$ 4.2 million. This gain resulted from the decline in interest rates from the time the FONs had been issued to when they were sold by the BF at the time of liquidation. Institutional investors through a bidding process administered by the Financial Advisor acquired the FON's.

As shown in Table XX, this capital gain contributed in large part to the net gain of US$2.8 million captured by BF's shareholders from their investment in the project.

Obstacles in Implementation can be Traced to the Problems in Design

3.6 One of the setbacks to project implementation was limited participation of the key players – BICE, the BF, and the Financial Manager, individually and as a team. BICE had been assigned the role of administrator of the BF, even though it had no prior experience in managing this type of entity.[6] The BF staff had very limited expertise in capital markets operations. The Financial Manager, Salomon Brothers, had limited experience in the Argentinean market.

3.7 According to the Project Agreement, the principal duties of BICE included: (a) hiring and supervision of the Financial Manager, including providing the Manager with the policies and procedures; (b) take an active participation in the origination of BF commitments (FONs), including the marketing of this product; (c) act as agent for the BF; and (d) qualify the participating banks as well as confirm that the TELs are acceptable. Because of the background of its staff in apex lending, one of BICE's responsibilities was to evaluate banks that wanted to participate in the BF auctions. However, Supervision missions expressed concerns about BICE's and the rating agencies' methodology for bank evaluations. The First Project Review of October 1996, found that the procedures used by BICE were not those outlined in the Project Agreement. In addition, the Review considered that the practices followed by some rating agencies were not satisfactory. In addition, BICE was not actively engaged in the marketing of this facility. Apparently the incentive system did not encourage BICE to take on a proactive role in the project. BICE staff was compensated on the basis of their normal hourly rate for work performed for the BF; yet work on this project may still not have been a priority for BICE staff given their other goals and commitments. At the same time, asset management activities are usually compensated on the basis of assets under management, as this encourages staff to be more aggressive in booking business. Perhaps this approach would have been more productive.

3.8 The BF was a *de novo* business developed by an entity with little or no experience in capital market operations. The First Project Review found deficiencies in the following areas: (ii) the BF had been unable to properly market the facility to the banking community; (ii) the BF commitments were unsecured, yet BICE for its own lending purposes normally required participating banks to put up collateral; and (iii) the policies and procedures followed by the BF were still unsatisfactory. Another disadvantage was the relation between BF and BICE. BF depended on BICE as its administrator, thus if BICE was not committed to this project, BF management could not perform effectively. In this regard, the failures of BF can be traced back to its design. Control of the business should have been totally in the hands of the BF, which should have been endowed with experienced management, a staff with the appropriate technical skills, and a Board of Directors that included individuals with experience and reputation in the investment banking community.

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[6] The BF was incorporated as Backstop Fund S.A. and all members of the Board of Directors of the corporation were required to be Government officials.

3.9 While the Review did not address the role of the Financial Manager, Bank staff noted that the Manager required considerable guidance during implementation. Apparently the indicative prices of the FONs were significantly lower than those determined on a theoretical basis and responded to some loose concept of market demand.

3.10 Whether a result of weak project management or of a lack of interest or preparation in the market for this type of facility, very few banks participated in the auctions. Those interviewed for this report felt the BF was too costly and tedious to implement, in addition to management's lack of familiarity with financial derivatives such as options. At the time of loan effectiveness Argentinean banks were already active raising funds in the Eurobond market. Their local currency bonds had also become an attractive investment for the large Emerging Markets mutual funds. In this regard, there did not appear to be strong market demand for this product.

3.11 The auction process was complex and onerous for participating banks. The bank qualification criteria called for a certified statement by external auditors that no more than 20 percent of the loan portfolio consisted of restructured loans. Normally this type of information is not reported on the financial statements. At the same time, the process of loan classifications already incorporates an evaluation of these loans in determining their rating and consequent loan loss provisioning. Thus banks were discouraged due to the additional time and costs associated with the new certifications. While the specific criteria were consistent with the Bank guidelines in OD 8.30, they may have gone beyond the normal regulatory standards issued by the SEF. On the other hand, the requirement that the ROE over three years preceding the appraisal must be greater than the real interest rate on CD's was first ambiguous, since it did not define the term "real interest rate," and second, the rate of return on a CD with deposit insurance is usually substantially below the cost of capital for a bank. The ROE criteria should be compared to a normal cost of capital concept.

3.12 The banks' disappointing response to the auctions could also be attributed to lack of familiarity with options. Banks are much more familiar with instruments such as Stand-by letters of credit or forward contracts. Another discouraging feature was that the options were in the form of a contingent right, not an absolute right. In other words, to qualify for exercising the option, a bank had to meet certain financial performance requirements. Perhaps banks preferred to manage their bond funding more conservatively rather than buying an option where the right to exercise was depended on a set of events that were partly out of their control. The personnel in the capital markets department may have been well versed on sophisticated financial models, but as bank interviews during the PAR mission revealed, the banks' management may have been reluctant to purchase financial instruments for which there was no experience and no functioning markets in Argentina.

3.13 Some of the banks interviewed were receptive to the idea of developing a scheme to extend the maturity of financial operations; but were disappointed at the complex and rather rigid approach of the BF. The target market identified for this product, the highest rated banks, did not need the support from the BF. Some commented that the FONs were too expensive compared with what they could get in the international markets. The limit of US$ 50 million in commitments precluded banks with bond programs of US$ 100 million and higher. In their case the transactions costs associated with the FONs were too high. As some bankers suggested, perhaps the real market for this project would have been the second tier banks. With appropriate credit enhancements, these intermediaries may have been able to tap into the long-term resources made available by the BF.

3.14 The implementation of the CNV's institutional program was not satisfactory at the time of the First Project Review. CNV did not comply with two out of the three conditions under the Agreement. The organizational review and development program was not proceeding according to plans.[7] Most of the problems dealt with administrative delays. Another condition dealt with the adoption of net liquid capital adequacy rules with risk-weighting formulae, which was also not applied at the time of review. Some progress has been achieved by CNV in terms of processing of filing for new offerings, with the approval time reduced from 3 months to one month. During the 1995 crisis, no serious financial problems were reported by any of the brokerage houses. Nevertheless, the weak performance during implementation goes back to one of the principal issues raised in this report regarding the implementation capacity. The CNV was still not up the learning curve to adequately supervise the trading of sophisticated financial derivatives as the ones created by the BF.

4. OUTCOME

4.1 The project made progress in the support of the Government's economic policies and in strengthening capital market supervision; however, it failed to achieve the principal goal of accelerating capital market development. According to the ICR, the two factors responsible for the outcome were the timing and the design. This report concludes that design was the critical factor in the demise of the project, and that timing was of secondary importance. In other words, had timing been an issue, then when the project was made effective, and financial markets had already recovered from the worse of the 1995 crisis, there would have been greater demand for the options issued by the Backstop Facility.

4.2 The five financial intermediaries that participated in the program all purchased short-term commitments, even though by 1996 most of the effects of the 1995 crisis had subsided. As shown in the table below, private banks have still not been very active in the issuance of bonds to fund their operations. One of the reasons could be a preference for deposits rather than debt in funding. In 1997, bonds issued peaked at only 4.0 percent of total liabilities of the private banks. This low percentage underscores the potential for the development of the bond markets; yet it also points to the lack of depth in terms of local investors which can only be improved through the development of home-grown institutional investors such as the pension funds. If maturity were the constraint, and if bonds were a strategic source of funding, then the hypothesis of the Backstop Fund would make sense. But if banks were not active players in the bond market to begin with, then the sale of the bond options would fall short of the project's aspirations.

[7] This component of the project was to be supported by the Capital Market Technical Assistance Project, which has not yet closed.

Argentina: ON's Issued by Private Banks

	Total value of bonds issued (US$ millions)	*Number of Issues (number)*	*Avg. Value per Issue (US$ millions)*	*Average Term (years)*	*ON's issued /liabilities (percent)*
1991	85.0	2	42.5	3.0	NA
1992	711.5	23	30.9	2.9	NA
1993	1,392.0	27	51.6	5.5	NA
1994	1,088.0	30	36.3	3.0	3.0
1995	688.4	53	13.0	1.5	2.7
1996	852.0	36	23.7	1.8	3.8
1997	1,219.4	38	32.1	2.8	4.0
1998	1,659.3	20	83.0	2.1	3.8

Source: Comision Nacional de Valores

4.3 The institutional development in terms of CNV was marginally successful. However, a more in-depth analysis of this component should await completion of the Capital Markets Technical Assistance Loan.

5. OVERALL ASSESSMENT

5.1 The outcome of the CMDP is adjudged to be unsatisfactory (as in the ICR). The project did make positive contributions in terms of the support of macroeconomic policies and the strengthening of CNV's regulatory capabilities. The goal of capital market development fell short of expectations. On the other hand, the novelty of the Backstop Fund may have set in motion more creative thinking in the financial markets. For example, leasing and securitization activities have started to take hold in recent years. Another application of contingent financing was successfully negotiated by the Central Bank in 1996 involving a US$6.2 billion repurchase facility with foreign commercial banks. However, overall, while the banking system has made significant progress in terms of modernization, efficiency, and adjustment to globalization, the capital markets agenda has not been as successful.

5.2 In retrospect, a simpler approach to the extension of bond maturities might have been more effective in achieving the goals of the project. For example, some consideration might have been given to the use of Stand-by Letters of Credit. Banks are much more familiar with this instrument. The pricing of the Stand-by could have been based on the banks' credit rating. As was suggested by the Financial Manager, access to Backstop commitments should not have been dependent on the TELs.

5.3 The decision to cancel this loan was made after the first Project Review. The Bank correctly concluded that there were deficiencies in terms of the management of the Backstop Facility, which the Borrower had not adequately addressed. At the same time, BICE had not been very supportive as Administrator, perhaps due to the lack of an effective incentive system. In fact, there was limited marketing of this product. Despite its shortcomings, the CMDP did plant the seeds for innovative schemes which were subsequently reflected in the development of the leasing and securitization activities, as well as the use of contingent financing from foreign commercial banks to support the Central Bank in the event of another liquidity crisis.

5.4 Due to the small size of the local capital market, the large issuers, which had been targeted by this project, prefer to go to the overseas markets for medium- to long-term funding. However, reliance on these markets makes Argentina more vulnerable to shifts in global market perceptions triggered by the contagion effect. For this reason, the dynamic development of the market for debt securities of commercial banks will hinge on the growth of the pension funds as a steady source of domestic savings.

5.5 Privately-run pension funds are relatively new to Argentina. Nevertheless, they represent a strong potential source of demand for medium to long-term investments. If the Government maintains its positive macroeconomic management, the growth of these pension funds could, within the next ten years, provide the necessary impetus to the development of the capital markets that was attempted by this project.

BANK PERFORMANCE

5.6 Bank performance is rated as unsatisfactory. The Bank's enthusiasm for capital markets development was drawn from an abstract idea that seemed to work well in a sophisticated market. The reality of Argentina at that time was not congruent with this view, even today, the capital market has progressed only at a gradual pace. The Borrower was not adequately consulted in the design of this project. The beneficiaries were not involved in the design of the BF. On the other hand, Bank staff was fairly diligent in the evaluation of the earlier version of the project dealing with securitization. The switch in project focus, from a FIL to a CMDP, was not well thought out. The concept was very attractive, but the appraisal work was too hasty. The loan was approved without the required sector work, and even when the capital markets study was completed, staff did not heed its recommendations. Bank staff failed to acknowledge the problem even when the alarm bells sounded during the liquidity crisis in 1995, when it recommended a reformulation of the loan into a short-term liquidity line of credit.

5.7 Once the project was launched in August 1995, supervision missions immediately became aware of serious problems in terms of the staffing of the BF, implementation of the work program, and lack of Borrower commitment to the project. The Financial Manager suggested ways to make the sale of the options more market friendly. But in the final analysis, the Bank recommended cancellation at the First Project Review. The First Project Review was candid and on target as far as the identification of the problems and justification for cancellation.

BORROWER PERFORMANCE

5.8 Borrower performance was also unsatisfactory. On the one hand there was strong commitment to macroeconomic policies. During the liquidity crisis in 1995, the Borrower's principal concerns were with the safety of the financial system – the banking system may have actually been on the border of the precipice. The priorities at that time were on building safety nets such as liquidity reserves. Due to limited involvement in the design of the project, Borrower commitment was marginal. In fact, during the liquidity crisis, the Borrower requested that the CMDP idea be scrapped in favor of a liquidity loan.[8]

5.9 The implementing agency's performance in this project was marginal. The BF received inadequate staffing and support from BICE. But this evaluation also recognizes that BICE is an apex lending institution whose mission statement does not contemplate sophisticated corporate finance activities was required in the case of BF. BICE's expertise is in the analysis of financial institutions and in the development of mezzanine financing, and not in the development of novelty derivatives products and market making in securities trading.

6. SUSTAINABILITY

6.1 The sustainability of the capital markets development objective is judged as unlikely, and because of the importance of this goal, the sustainability of the Loan is considered unlikely. The Loan was cancelled because in the Bank's view the objectives were not achievable. Nevertheless, the other goals of a stable macroeconomic environment and the strengthening of capital markets regulations appear to be sustainable.

[8] Letter from the Minister of Finance dated March 10, 1995

7. LESSONS LEARNED

7.1 There are several lessons that emerge form the experience of the CMDP:

- **Importance of sector work at appraisal:** In loan preparation, the importance of sector work and in-depth analysis of project design cannot be over-emphasized. A badly designed loan will not achieve its objectives, no matter how many adjustments are made during implementation. In the case of the CMDP, sector work was not performed until after the Loan had been approved. This is out of compliance with Bank operating procedures.

- **Flexibility of design:** Locking a project into one instrument is extremely risky, particularly when the loan amount is substantial. The Backstop Fund was a rigid design that did not allow for variations of the basic product. For instance, if the market was not interested in options, it should have been possible to look at other features such as Stand-by Letters of Credit. The Fund was not responsive to market needs, and the Bank's own limitations on the types of financing activities left little room to maneuver.

- **Loan design should reflect the borrower's needs**: Loan design needs to carefully consider the borrower's needs as well as its implementation capabilities. At the time of loan preparation, Argentina's needs, as determined by the constraints of the Convertibility Law, was for liquidity. In other words, the country needed a fast disbursing operation. The CMDP was actually designed as a contingent financing facility, with the hope that it would not have to disburse. At the same time, the local capital market was not yet prepared for the development of options trading.

- **Borrower commitment and capacity are crucial**: One of the critical success factors in a project is the Borrower's commitment and its implementation capacity. Technical expertise, experience, and commitment to the goals of the project are important ingredients in determining their qualifications. The CMDP was placed in the hands of knowledgeable individuals who nevertheless were not prepared to manage capital markets operations. At the same time, the organizational structure was not effective nor were the incentives appropriate to the task at hand.

Annex A

Backstop Fund: Balance Sheet *(amounts in US$ million)*

	1996	*1997*	*1998*
ASSETS		(as of June Fiscal year)	
Current Assets:			
Cash & Due from banks	288,378	122,383	206,802
Investments			
Non- registered securities			
ON's	15,468,166		
REPOs		1,517,732	
Overnight BNA NY			4,297,625
Registered securities			
ON's		94,583,273	
CP		8,969,324	
CDs		9,171,583	
Total Investments	15,468,166	114,241,912	4,297,625
Loans	1,550,750	120,204	118,427
TOTAL Current Assets	17,307,294	114,484,499	4,622,855
Fixed Assets	39,094	-	-
Intangible Assets	1,468,744	-	-
TOTAL ASSETS	18,815,131	114,484,499	4,622,855 -
LIABILITIES:			
Current Liabilities			
Accounts Payable	2,028,983	2,097,768	170,483
Financial debt			
World Bank Commissions	929,524	3,209,150	-
World Bank Loan		106,352,810	-
Benefits payable	10,178	2,988	1,554
Due to the Government	-	52,167	1,503,026
Other Debts	3,000	2,200	2,200
Total Current Liabilities	2,971,685	111,717,084	1,677,263
Loan from World Bank	15,728,810	-	-
TOTAL LIABILITIES	18,700,494	111,717,084	1,677,263
Stockholders' Equity	114,637	2,767,415	2,945,591
TOTAL Liabilities & Equity	18,815,131	114,484,499	4,622,855

Backstop Fund: Income Statement *(amounts in US$ million)*

	1996	*1997*	*1998*	*1998*
				Jul-Nov
Revenues from Intermediation	1,345,159	11,710,966	8,023,344	88,481
Cost of Intermediation	737,801	6,242,676	6,066,481	992
Gross Margin	607,358	5,468,290	1,961,863	87,489
Administrative Expenses:				
Compensation & fees	278,063	405,604	326,879	203,584
Amortization of Intangibles	288,461	448,428	-	
Other expenses	146,033	166,368	65,767	45,156
Total Admin. Expenses	712,556	1,020,400	392,646	248,740
Net financial gains and losses	11,007	(112,690)	111,986	(480)
Income before taxes & other	(94,191)	4,335,200	1,681,203	(161,731)
Extraordinary Gains & Losses	196,193	(1,682,422)		15,000
Taxes			1,503,026	
NET INCOME	102,002	2,652,778	178,176	(146,731)

Annex B

BASIC DATA SHEET

CAPITAL MARKET DEVELOPMENT PROJECT (LOAN 3709-AR)

Key Project Data *(amounts in US$ million)*

	Appraisal Estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs			
Loan amount	500.0		100
Cancellation	393.6		79

*Increase due to changes in SDR/US$ exchange rate.

Cumulative Estimated and Actual Disbursements

	FY97
Appraisal estimate (US$M)	500.0
Actual (US$M)	106.3
Actual as % of appraisal	
Date of final disbursement:	
Date & amount of cancellation: March 17, 1997 – US$393.7 M	

Project Dates

Steps in Project Cycle	*Original**	*Actual*
Identification (Initial Executive Project Summary)		March 1991
Preparation	36 months	28 months
Appraisal	August 1993	August 17, 1993
Negotiations	December 1993	December 13, 1993
Board Presentation		March 1, 1994
Signing	March 1994	November 29, 1994
Effectiveness	April 1994	August 31, 1995
Loan Closing		March 17, 1997

*Project proceeded erratically. Therefore, no reliable plans can be cited.

Staff Inputs (staff weeks) *

	Actual	
Stage of Project Cycle	*Weeks*	*US$*
Through appraisal	143.4	374.9
Appraisal-Board	63.2	259.3
Board-effectiveness	4.0	10.9
Supervision	58.3	243.1
Completion	9.2	37.8
Total	**278.1**	**929.0**

* Includes bank-financed consultants. Dollars are direct costs only.

Mission Data

Stage of Project Cycle	*Month/ Year*	*No. of Persons*	*Days in Field*	*Staff Skills Represented**	*Implementation Status*	*Devt. Objectives*	*Types of Problems*
Through appraisal	03/91	1	11	A			
	08/93	14	10	A,B,C,D,E,I			
Appraisal through Board approval	03/94	1	5	I			
Board approval through effectiveness							
Supervision (Portfolio Status Update)	06/95	1		A	U	S	Delay in effectiveness due to Gov't request to change covenant wording; slow Gov't processing of decrees for signature; and lengthy procurement process.
(Portfolio Status Update)	04/96	2	15	B	S	S	Loan performance improved since effectiveness.
(Portfolio Status Update)	05/96	2	5	A,B	S	S	Project management still needs to be improved through strengthening of marketing efforts.
	06/96	1	5	B	S	S	Performance of the Backstop Fund remains unsatisfactory
	10-11/96	2	17	A,B	U	S	Weak Gov't commitment to the project. Four of the 14 conditions in the Articles of Agreement have not been met. Gov't should formalize its request for cancellation.
(Portfolio Status Update)	07/97				U	U	Development objectives were never met. Two restructuring efforts failed. Loan was cancelled effective March 17, 1997
Completion	1998						

*Key to specialization:

A. Task Manager
B. Capital Market Specialist
C. Private Sector Specialist
D. Consultant
E. Legal Counsel
F. Division Chief

Other Project Data

Borrower/Executing Agency: Argentine Republic

RELATED OPERATIONS

Operation	*Loan/ Credit no.*	*Amount (US$ million)*	*Board date*
FSAL (Structural Adjustment)	3558	400.0	02/16/93
Capital Market TA (Technical Assistance)	3710	8.5	03/01/94
Provincial Bank Privatization	3878	500.0	05/05/95
Bank Reform	3926	500.0	10/18/95