

PROJECT ABSTRACT

Project number	AR-0234
Project name	Investment Program for Correo Argentino, S.A.
Country	Argentina
Sponsors	Itron, Sideco and Banco de Galicia
Total project cost	US\$301,3 million
IDB participation	IDB A-Loan: \$75 million IDB B-Loan: \$54 million
Department	Private Sector Department
Status	Approved by the Board of Executive Directors
Date	November 11, 1998

I. PROJECT OVERVIEW

As Argentina continues to implement privatization of basic infrastructure in many sectors, the Government of Argentina (“GOA”) is working to ensure that basic services critical for the economic development of the country receive adequate attention. Recognizing the importance of basic communications, both domestic and international, in a country the size of Argentina with a rapidly expanding commercial sector, the GOA has worked diligently to implement appropriate regulations and to oversee the successful privatization of the telecommunications, telegraph, and postal sectors.

Regulatory reforms in the Argentine postal sector since 1993 have transformed and deregulated postal services in an attempt to enhance competition, improve efficiency, and decrease costs. Important reforms include the opening of the postal sector to private sector operators and the liberalization of pricing controls. Several private operators have now entered the marketplace, mainly in the urban centers with specialized services to provide alternatives to Argentina’s national postal service in certain market niches. Recognizing the need to improve efficiency and reduce high operating costs, the GOA decided to concession in 1997 the operation of Empresa Nacional de Correos y Telecomunicaciones (“Encotesa”) to the private sector.

After an international competitive bid, the consortium including Itron S.A., Sideco Americana S.A. and Banco de Galicia y Buenos Aires S.A. was awarded a 30-year concession from the GOA on July 28, 1997 for the operation of the official postal services in Argentina. This consortium formed Correo Argentino S.A. (“CASA”), a single purpose company under the laws of the Argentine Republic, in order to render its obligations under the concession. The concession grants CASA a non-exclusive license with mandatory obligation to provide universal postal services for Argentina of intra and inter-provincial ordinary mail and telegrams.

The Bank has been requested to provide a syndicated corporate loan of approximately US\$258 million to partially finance CASA’s initial investment program to modernize facilities and implement a company wide efficiency program.

II. THE COMPANY AND THE SPONSORS

CASA’s share holding structure consists of a 40% stake for Itron, 33.5% for Sideco, 12.5% for Banco de Galicia and 14% for Correo Argentino’s employees under a Participating Property Program (“PPP”).

Itron is the principal information technology and communication arm of the Macri Group, dedicated to providing information solutions throughout Argentina and Brazil. Itron, an experienced investor and operator in the sector, has developed strategic partnerships through Itron subsidiaries with numerous companies including Western Union, Andrade Gutiérrez Telecommunications, Olivetti North America, Brinks Inc, and TRW Systems Overseas, among many others, in order to provide its clients with efficient and innovative solutions in systems and communications.

Sideco, a wholly owned subsidiary of Macri, is one of the leading infrastructure development and maintenance companies

in Argentina. Sideco is responsible for all infrastructure and environmental activities for the Macri Group. The company is a recognized provider of public services and basic infrastructure including natural gas distribution, toll road operations and maintenance, solid waste management, power generation and transmission, and housing development.

Banco de Galicia is the largest private bank in Argentina in terms of assets and deposits. Galicia provides a complete range of banking services through more than 170 branches. Global banking activities are carried out through branches in New York and representative offices in Mercosur countries. Its shares trade on the Buenos Aires Stock Exchange and on the NASDAQ system.