

PROJECT ABSTRACT

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| Project number | AR-0238 |
| Project name | Aguas Argentinas |
| Country | Argentina |
| Sponsors | Suez Lyonnaise des Eaux (France), Banco de Galicia y Buenos Aires (Argentina) and Vivendi (France) |
| Total project cost | Approximately US\$360 million |
| IDB participation | IDB A-Loan: US\$75 million IDB B-Loan: US\$225 million |
| Department | Private Sector Department |
| Status | Approved by the Board of Executive Directors |
| Date | June 23, 1999 |

Project Description

Aguas Argentinas S.A. is the sole provider of potable water and sewerage services in the City of Buenos Aires and certain surrounding districts and is the largest private water and sewerage concession in the world. On April 28, 1993, following an international public bid initiated by the Government of Argentina, the Company entered into a 30-year exclusive concession to provide potable water and sewerage services in the concession area.

Pursuant to the concession contract, the company is required to undertake a series of five-year investment programs for the purpose of expanding and improving the company's water and sewerage networks. A portion of the financing of the works completed by the company from 1998 through 2001 under its 1993-1998 and 1998-2003 investment programs will be provided by IDB. The remainder of the financing for the investment program is expected to be generated through operating cash-flows and the incurrence of additional medium or long-term debt.

The IDB's Board of Directors has approved a total financing of US\$300 million, consisting of an A Loan of up to US\$75 million and a B Loan of up to US\$225. To date US\$140 have been placed with US institutional investors and the Company may at any time prior to the termination of the commitment period request the arranging of the sale of the additional US\$85 million of approved B Loan.

Project Highlights

The two primary objectives of the concession are to (i) improve the drinking water distribution and sewerage system in the concession area and (ii) build additional infrastructure which will support the expansion of the sewerage and water system in order to ultimately connect 100% of the population of the concession area to potable water and 95% of the population to the sewerage system, and to treat 100% of the sewage collect by the Company. As of June 30, 1998, the Company supplied potable water to approximately 5.9 million inhabitants.

IDB's participation

Aguas Argentinas received an international BBB- rating by Standard & Poor's, which enabled the placement of the B Loan with US institutional investors. This international investment grade rating was based on two fundamentals. The first is the "BBB-" local currency rating of Aguas Argentinas, which reflects the company's ability to timely and fully meet its financial commitments, absent convertibility and transfer risk. The second fundamental is the Bank's de facto preferred creditor status vis-à-vis the government of Argentina, which implies that the Argentine government would not interfere with the transfer or convertibility of local currency to the US Dollars due under the loan obligation.