Tuesday, February 23, 2010

Washington, D.C.

The meeting of the Executive Directors of the Bank and IDA convened at 11:51 a.m., in the Board Room, 1818 H Street, N.W., under the chairmanship of Mr. Graeme Wheeler.
AGENDA ITEM:

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2. Proposed Emergency Recovery Loan to Argentina - Emergency Project for the Prevention and Management of Influenza-Type Illness and Strengthening of Argentina's Epidemiological System, President's Memorandum and Recommendation

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CHAIRMAN WHEELER: Well, let's get underway with the formal part of our business.

We are meeting as a Bank/IDA group.

Item 1 is the approval of the minutes listed in the agenda; and, if there are no objections, then the minutes are approved.

Then let's turn to Item 2, which is the proposed emergency recovery line of USD$229 million to Argentina for the Emergency Project for the Prevention and Management of Influenza-type Illness and Strengthening Argentina's Epidemiology System.

Pedro Alba is on video conference from Argentina. He's the former Country Director for Argentina.

Thank you for the statements that you have circulated in advance. We have got at the table Laura Tuck, who is the acting Vice President for LAC; we have got Herman von Gerdsdorff, who is the acting Country Director for Argentina; and Fernando Lavadenz, who is Senior Health Specialist in the Health Sector.

So, Laura is going to get us under way.

MS. TUCK: Thank you very much, Graeme.

I would like to turn over the opening comments to
Pedro Alba.

MR. ALBA: Hi.

Graeme, I'm actually still the Country Director, but that's okay, just a few more days, just for about a week-and-a-half.

Mr. Chairman and Members of the Board, I would just like to welcome this opportunity to present to you this project, the Argentina Emergency Project for the Prevention and Management of Influenza-type Illness and Strengthening of Argentina's Epidemiological System.

As you may know, this is the third project, free-standing operation that the region is presenting—well, has prepared this year to support the member country in the LAC Region, and we would like to thank Messrs. Fayolle, Debevoise, Huber, Majnoni, and Taha for their valuable written comments and questions which have been addressed in the written statement from staff. We would like to also acknowledge the statement that came in a little bit later from Ms. Renteria. We already issued our statement which will also be addressed, if she has any specific questions during this meeting.

The objective of the operation is to strengthen Argentina's capacity in health surveillance, in particular
regarding the flu. In particular, it will prevent, monitor, evaluation influenza activity; and, second, it will control potential epidemic ways of H1N1 influenza this year.

As noted in the project documents, Argentina was very seriously affected by the H1N1 influenza in 2009. There were more than 600 deaths. The issue was described well in the project documents.

At this point, I would just like to highlight only two points related to today's discussions. First, the project is being assessed as an emerging operation under OP800 in order to respond quickly to the need for a vaccine for the upcoming flu season, which is basically starting now. We were approached by the Argentine authorities back in the autumn of 2009, and we have since then prepared the operation.

A second, there is a possibility, and I repeat possibility, that the project could use the Pan American Health Organization, PAHO, as the supplier of regular influenza and H1N1 vaccines if the market is unable to provide in a timely fashion these vaccines under Bank procurement procedures. And that's why we are asking for a waiver from the Bank's procurement policy in the case that
that direct contracting with PAHO becomes necessary.

As verified that PAHO is not a UN-specialized agency. However, when it acts as a regional office of WHO, which is a UN-specialized agency, PAHO benefits from the same privileges and immunities as if it were of such a specialized agency.

Many thanks.

CHAIRMAN WHEELER: Thanks very much, Pedro, and my apologies to you.

Let's open the floor.

Mr. Majnoni, please.

MR. MAJNONI: Thank you, Mr. Chair.

And thanks to staff for addressing the question that we have addressed in our statement, which was also issued with certain delay.

There is also one question that has not been answered, and that is why we decided not to go to the GPAI facility, which is the emergency facility that it was approved by this Board for fast disbursement of initiative related to this Saudi inflow.

I understand that as Pedro put it, that the PAHO was an option that could have enabled the faster delivery of these vaccines, but then the question remains--I
understand several hundreds of millions of dollars still in this facility, which was supposed to actually be fast-disbursing.

So, I'm at a loss. We waived our standard compliance with our standards. In the situation which is, as I'm not saying it is in Argentina's situation, it's a world situation where the health sector is particularly prone to corruption, we have a number of INT initiative, and we actually sort of waive and give to others the authority to look into this.

So I'm a little bit puzzled. Maybe this is the best way of going, but then I'm concerned with avian flu the fastest disbursement initiative, and I wondered whether we should at this point maybe find better ways of addressing this. So, this is my question.

CHAIRMAN WHEELER: Thank you, Mr. Majnoni.

Mr. Debevoise, please.

MR. DEBEVOISE: Thank you.

I think our comments are along similar lines. We did have some concerns which we expressed in our written statement with respect to the situations underlying the INT investigations of health sector projects in this country. We are grateful that the project document was up front in
noting these issues, and we will be certainly watching developments here closely.

    We do appreciate the staff statement about PAHO, that if engaged in this project, it will do so as the regional arm of WHO, because only in this capacity will it have the privileges and immunities analogous to those of a UN agency.

    But we do echo the concerns raised in Mr. Majnoni's statement. This project, like the recently approved Nicaraguan health systems project and the Mexican influenza prevention and control project all seek to improve health systems in the context of pandemic influenza. Yet, only the Nicaragua project was funded under the global program for avian influenza and human preparedness. With the increase of the global program for avian influenza to $1 billion, why are these projects not being funded from the GPAI? Could the staff give us a brief update of the program and its future prospects?

    Also, the project document states that the GPAI wasn't considered because contracting with PAHO would make it ineligible for the GPAI, yet contracting with PAHO was included in the Nicaragua project. Why this discrepancy?

    Thank you.
CHAIRMAN WHEELER: Thank you, Mr. Debevoise.

Mr. Lvin, please.

MR. LVIN: Thank you, Mr. Chairman.

We wanted to support the proposed operation. And as we see from the documentation, the government feels--has a feeling of strong emergency related to the pandemic, and it has reacted very forcefully.

And it's obvious that it fully owns the response, framework response program. So, to us, it is very commendable that the Bank was able to respond to the government, needs to the government strategy and to prepare--to prepare assistance package so swiftly.

We believe that staff responses to concerns expressed by colleagues are quite satisfactory, so we see this project like rather exemplary instance of country and Bank partnership.

Thank you.

CHAIRMAN WHEELER: Well, thanks very much.

Mr. Lvin.

Edwin.

MR. von GERSDORFF: Let me try to address some of the key points here. One, I think the main one as far as I understood is why we didn't use the GPAI facility.
Actually, we explored this option. And the understanding of the team was that the request for the waiver regarding PAHO made us ineligible to use the GPAI facility because it would require the Board's approval of this waiver, and, therefore, we couldn't proceed under this facility.

MR. HANSEN: Yes, that was our understanding.

And in the case of Mexico, which did not involve PAHO, the concern there was the loan was so large that it would have practically exhausted all the new resources under the GPAI, which we felt was not fair or appropriate to the other countries that may wish to draw from this.

And, secondly, since this was the first H1N1 project of that magnitude to come forward, we thought it was appropriate that the Board have an opportunity to review it in a full discussion.

I think as a region, LAC is a bit of an outlier because of the special arrangement of the revolving fund that PAHO manages. In other regions this would not be an issue, and I think the GPAI would be of more sort of a ready resort to them. But whenever these exceptions occur, then, of course, the streamline provisions in the GPAI make it inappropriate to use. But I think elsewhere it's likely going to be in function. As to the overall status, we
would have to refer that question to the network.

MS. TUCK: Mr. Debevoise's statement about INT, we certainly concur that we will watch carefully the INT-related issues and follow closely as we laid out in the GAC plan in the pad. We have been working closely with INT on this.

CHAIRMAN WHEELER: Well, thanks very much, indeed.

So, on Mr. Debevoise's point about the updated program and prospects, we will get the anchor to get back to you, but, Mr. Debevoise, you wanted the floor.

MR. DEBEVOISE: I just want to see if I'm understanding this properly.

You basically are saying you're not using GPAI just because you can't do it on a streamlined basis? But you did use it for Nicaragua.

MR. HANSEN: Well, the GPAI is a facility that authorizes streamlined processing of the operations; and, if there is anything in there that's not consistent with streamline, then, of course, it needs to come to the Board.

This project also has the possibility of a larger share of retroactive finance than is authorized under GPAI, which also made it inappropriate. So, in each case,
there's something that's made it necessary to come to the Board in full presentation, and then Mexico was the size of the loan.

CHAIRMAN WHEELER: Mr. Debevoise, please.

MR. DEBEVOISE: So, maybe we are getting to the bottom of it here. So, we use OP 800 when we want to do a larger portion of retroactive financing.

MS. TUCK: [Microphone off]—you can't do within the facility.

CHAIRMAN WHEELER: I think Whitney missed the first part, Laura.

MS. TUCK: Anything that needs to come to the Board you can't do. You can use the facility for because it's delegated and streamlined. So, in this case we had both the procurement waiver and the larger share of retroactive financing that made it ineligible if we wanted to use those features in the operation.

CHAIRMAN WHEELER: Let me see. Are there any other further comments before we conclude by approving the line on the terms proposed?

(No audible response.)

CHAIRMAN WHEELER: Well, thanks very much indeed. Let's agree that the bonus approved on the terms
proposed.

Mr. Camarasa, please.

MR. CAMARASA: Thank you, Chairman.

I would like to restore the importance of what we are doing today in the sense that we are approving a very important and needed help to my country, Argentina.

For that reason, I would like to express our appreciation to the excellent work of the Management and the way in which usually they exhibit a deep knowledge and understanding of the realities of our country.

Also, we recognize the support of this initiative. And, above all, we are grateful to the colleagues that took the time of analyzing the whole document and, notwithstanding some of their observations.

Thank you, Chairman.

CHAIRMAN WHEELER: Thanks very much, indeed, Mr. Camarasa. That's greatly appreciated. Thank you.

Mr. Debevoise, please.

MR. DEBEVOISE: I didn't want the effect that we asked these questions to be misinterpreted as lack of a significance of the project or importance of it, but I think there were some important internal procedural things. We, of course, support the objectives here.
Thank you.

CHAIRMAN WHEELER: Well, thanks very much, indeed. That's certainly understood.

So, we have concluded that the loans approved on the terms proposed, and let's turn to Item 3. So, thanks very much.