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PARAGUAY: HEAVILY INDEBTED AND UNDER INVESTIGATION, YACYRETA DAM STRUGGLES TO REACH CAPACITY

Debt- and corruption-ridden, the Yacyreta hydroelectric dam project between Paraguay and Argentina is running under capacity. To bring its water to the level where it would run at originally projected levels of production, however, would cause social and ecological destruction, say environmentalists. In the meantime, Paraguayan President Nicanor Duarte Frutos is seeking the investigation and prosecution of former heads of the project and trying to work with Argentine President Nestor Kirchner to get "coherence" regarding how the two countries will handle the dam's massive debts.

Raising water level alarms environmentalists

The two governments have resolved to complete the binational dam on the Parana River by 2007, operating at 60% of originally planned capacity. But environmentalists fear that the expansion will increase the environmental and social damages the megaproject has already caused.

The Yacyreta dam began with a treaty signed in 1973, and the initial commitment was for operations to begin in 1980, but it was not inaugurated until 1994 (see [NotiSur 1998-07-10](#)). The original project said the reservoir covering 1,600 sq km would be maintained at 83 m above sea level, but for the past 10 years the level has stood at around 76 m.

"For the dam to produce at full potential, the waterfall must be higher, as was originally defined. That is why the level must be raised to 83 m," said Alfredo Duran, communications director of the Entidad Binacional Yacyreta (EBY).

The decision to increase the reservoir depth means a series of new construction projects, at an estimated cost of US\$500 million, would have to be built. Kirchner and Duarte gave the green light to these pending works in late February. Both have expressed their determination to complete the project, but also stress that the hydroelectric dam—referred to as a "monument to corruption" by former Argentine President Carlos Saul Menem (1989-1999)—must be managed with "transparency" (see [NotiSur, 2003-03-03](#) and [NotiSur, 1997-03-21](#)). With such transparency in mind, the presidents annulled the standing evaluation contract that the two countries had been financing for years.

A group of more than 40 nongovernmental organizations from the two countries, which are campaigning so that the Yacyreta project will take responsibility for the environmental problems it creates and not produce new ones, applauded the annulment but warned about other costs in an open letter to Kirchner and Duarte.

"Raising the level of the reservoir to 83 m above sea level will add serious social and environmental impacts to those already produced and for which reparations have not yet been made," say the groups. "The cost of hydroelectric energy is much greater than was calculated if the costs of repairing the damages caused are taken into account."

A weak point in the plan for finishing work on the project is the possibility of an underground connection of water between the reservoir and the Ibera wetlands, just meters from the reservoir and covering 24,550 hectares in the northern Argentine province of Corrientes. The organizations are demanding that the reservoir expansion plan include relocation of human settlements and of wild flora and fauna from the area to be flooded, and they argue that these issues have been mishandled previously. The EBY says that around 11,000 specimens of 110 species have been moved to protected areas. The EBY has also announced that new relocation efforts must be made because of the increase in the reservoir level and that 11,000 new homes will be built for displaced families.

Silvia Gonzalez, coordinator of the wetlands program for the Fundacion Vida Silvestre, or Argentine Wildlife Foundation, said there is "uncertainty" with respect to the causes of the increased water levels of the Ibera wetlands. The foundation's experts believe the phenomenon is related to Yacyreta.

"That isn't true," said EBY spokesman Duran, based on reports from the Varsa company, which is conducting environmental impact studies for the dam. The firm says there is no underground connection between the reservoir and the wetlands, and that the latter simply increases when there is more rainfall.

President Duarte calls for debt "coherence"

In addition to managing the social and environmental effects of raising the reservoir, dam managers and government officials are struggling with the US\$10 billion of debt that the project has racked up. The original estimated cost of the dam was US\$1 billion, but, once interest is factored in, US\$10 billion is the current total of the project's debt to the Argentine Treasury and international lenders.

Paraguay's President Duarte has called on the Argentine government to apply the same demands for justice to the EBY debt as it has asked for its external debt (see [NotiSur, 2004-01-16](#)). Saying the rates imposed on the dam project were "usurious," he renewed recent Paraguayan efforts to renegotiate the treaty regulating the project. "Just as the friendly governments of the region are soliciting more just arrangements with respect to their external debts, we want to apply that same philosophy internally and reconsider the entire debt Yacyreta has with the Argentine Treasury with usurious rates," said Duarte. He mentioned a telephone conversation he had with Kirchner to speed up the payment of US\$30 million Yacyreta owes Paraguay, US\$5 million of which was to be paid out in mid-April.

"President Kirchner called me to ask that we have a little patience," Duarte said. "Patience is important, but when necessity strikes us and the financial situation is dramatic, sometimes good proposals become unsustainable. We don't believe we have to come to that." He emphasized the need to "deregulate the debt which the Argentine government has with Paraguay, which consumes almost none of the energy Yacyreta produces."

Duarte announces intervention, trials

On March 19, Duarte announced a process of intervention in the dam project, later naming Carlos Goiburu as the Paraguayan interim director of the EBY. Shortly before his phone

conversation with Kirchner, he announced the designation of a governmental commission to negotiate an exit to the entity's debts.

On April 7, Duarte announced that the former Paraguayan EBY directors, accused of acts of corruption, would be tried by local courts. He said the investigation would include unionists, some of whom have given information about irregularities committed by administrators who are currently on suspension. He declined to identify which officials would be tried, but spoke of an attempted swindle in which former EBY head Walter Reiser participated.

"You may have absolute certainty that my government will push forward all necessary actions and will punish officials who don't fulfill their duties, who charge figures in the millions, and dedicate themselves to anything other than working for the institution."

[Sources: Notimex, 02/23/04, 03/03/04, 03/19-20/04, 04/05/04, 04/07/04; Inter Press News Service, 04/10/04; Spanish news service EFE, 02/11/04, 02/23/04, 03/19/04, 04/08/04, 04/12/04]