

7-10-1998

Argentina, Paraguay Inaugurate Yacyreta Dam Amid Ongoing Problems

LADB Staff

Follow this and additional works at: <https://digitalrepository.unm.edu/notisur>

Recommended Citation

LADB Staff. "Argentina, Paraguay Inaugurate Yacyreta Dam Amid Ongoing Problems." (1998). <https://digitalrepository.unm.edu/notisur/12523>

This Article is brought to you for free and open access by the Latin America Digital Beat (LADB) at UNM Digital Repository. It has been accepted for inclusion in NotiSur by an authorized administrator of UNM Digital Repository. For more information, please contact amywinter@unm.edu.

Argentina, Paraguay Inaugurate Yacyreta Dam Amid Ongoing Problems

by LADB Staff

Category/Department: Regional

Published: 1998-07-10

On July 7, Paraguayan President Juan Carlos Wasmosy and Argentine President Carlos Saul Menem inaugurated the binational Yacyreta Dam. The dam has been controversial since its inception, bringing opposition from community and environmental groups. Despite monumental delays and cost overruns, the dam can still only operate at 60% capacity until remaining work is completed, which will cost an additional US\$1 billion. The dam, which straddles the Parana river on the Argentina-Paraguay border, was partially financed with US\$1.8 billion in loans from the World Bank and Inter-American Development Bank.

Originally expected to cost US\$2.6 billion, recent estimates now put the price tag at about US\$10 billion. Its construction was planned in 1973, in a treaty between Argentine president Juan Domingo Peron (1946-1955, 1973-1974) and Paraguayan dictator Alfredo Stroessner (1954-1989). The 67-km long, 30-meter high dam, with 20 turbines, is 17 years behind the schedule proposed in the treaty signed that year. Its final price tag is four times the estimated cost for the engineering sector and seven times the estimate for administration.

The cost of the energy produced by Yacyreta is three times higher than the international average, and the World Bank calculates that around 80,000 people have been forced to leave their homes and source of livelihood. Yacyreta was built to provide cheap electricity for Argentina and income for Paraguay, which would sell the power to its neighbor. However, the demand for electricity fell 25% even before construction began in 1983, and the project's costs may never be recovered.

Monument to corruption or integration?

The first inauguration of the project, also presided over by Wasmosy and Menem, took place in September 1994, when the first electric generator began operations. At the 1994 inauguration, the project was already 13 years behind schedule. During the latest inauguration ceremony, President Wasmosy called the project "a monument to integration," a contrast to President Menem's description of the dam some years ago as "a monument to corruption."

At the ceremony, Menem supported Wasmosy, saying the project "has become a monument to integration, happiness, and work." Later, however, he said to reporters, "I repeat that billions of dollars are buried in Yacyreta, money that belongs to our peoples, which is why I called the dam a monument to corruption." The July inauguration had been postponed twice. It was canceled in March for "scheduling problems."

In late April, floods in Argentina and Paraguay caused by El Nino weather phenomenon, in which thousands of people had to evacuate their homes, forced the suspension of the ceremony, which included the official opening of the last turbine of the dam. The April flooding was aggravated by

the decision to increase the outflow from Yacyreta because the water level in the reservoir was over capacity, threatening the walls of the dam. The imminent opening of the final turbine raised concerns that the increased water flow might further endanger lives and property along the Parana river. Although the complex is now essentially completed, it can only run at 60% of capacity until the water level in the reservoir can be raised from 76 meters to 83 meters.

The Entidad Binacional Yacyreta (EBY), which supervised the construction of the dam, operates and administers it, needs US\$900 million to finish side projects connected to the dam, such as relocating people, paying indemnity, and carrying out anti-flooding work. "We must continue this work," said Menem. "One stage has been completed, but the level must be raised to 83 meters and 10 additional turbines added." The Argentine president called attention to "the strategic location of Yacyreta, in the geographic center of MERCOSUR, which will makes it possible to satisfy the growing energy demand in the region and which is necessary for the development to which we are committed."

During the inauguration, Foreign Ministers Ruben Melgarejo Lanzoni of Paraguay and Guido Di Tella of Argentina signed an agreement outlining efforts to find additional funding and repay the EBY debt with the Argentine Treasury. Wasmosy said the two countries "must recreate the conditions to attract the private sector" to obtain the funds to complete the project.

Bank inspection panel criticizes own project

The EBY has been criticized both for widespread corruption and for suppressing local dissent. The World Bank's inspection panel, acting on a 1996 complaint by Sobrevivencia, the local affiliate of Friends of the Earth, confirmed in September 1997 that project staff had neglected communities in and around the Paraguayan city of Encarnacion. They had violated numerous agency policies on environment, resettlement, and project supervision, it said (see NotiSur, 03/02/97).

The inspection panel's report faulted bank officials for filling Yacyreta's reservoir although required resettlement and environmental mitigation measures had not been implemented, creating a dangerous situation for local residents. Management plans to correct problems were insufficient and lacked community input, the report said. A rough Spanish translation of the report was not available to Paraguayans until recently, bank and inspection-panel sources said.

Despite the negative aspects of the report, Isabel Guerrero, then the bank's acting vice president for Latin America, wrote to concerned groups that the report showed no evidence of wrongdoing. "The bank is satisfied with the conclusions of the report which confirm that the bank's policies on resettlement, the environment, community participation, and all other areas were fully met and implemented in the case of Yacyreta," she said. Her letter was published by EBY as a full-page advertisement in the Paraguayan press. Under pressure from numerous nongovernmental organizations, the bank admitted Guerrero had "conveyed an erroneous description of the [panel's] findings."

The Paraguayan director of Yacyreta, Joaquin Rodriguez, questioned the panel's report and said the experts "acted like communists" when they carried out their investigation. Bank directors and senior officials have expressed concern about EBY but have not pushed the implementation of remedies already deemed inadequate.

Citing Paraguayan government objections, they also prohibited the inspection panel from returning to the project area. On June 19, the World Bank's vice president for Latin America and the Caribbean, Shahid Javed Burki, said the bank is willing to finance a new plan to resolve the social problems caused by Yacyreta.

Following a visit to the area affected by the dam construction, Burki said he was concerned by the poverty that he saw. He said the new credit plan will be carried out by the partner countries and not by EBY. In Encarnacion, 370 km south of Asuncion, Burki participated in a public forum with representatives of organizations concerned about the effects of the dam.

Local representatives pointed out serious economic, social, and environmental repercussions, which have not been addressed by EBY. The principal problems center on the EBY's failure to carry out promised resettlement of families and small industries or to carry out plans to minimize the environmental impact. Bank officials are drafting proposals to help resettle Paraguayans displaced by the dam.

The proposals would involve "a mix of new loans and redirected revenues" from sales of the dam's electricity, said Tony Gaeta, spokesman for the World Bank's Latin America department. "We're doing everything possible to do whatever we can, as soon as we can," Gaeta told IPS. He said officials still must determine the number of people involved and the likely size of the new loans, but would "work furiously to come up with a broad outline" to submit to the government of president-elect Raul Cubas, who takes office in August.

However, World Bank critics say the bank is only offering to correct some of its mistakes if its Paraguayan victims foot the bill. They charge that bank staff have been aware of the problems for more than five years and under scrutiny for nearly two years regarding violations of agency policy but have done little. Under the bank's plan, "the Paraguayan people will be paying for damage wrought by bank loans to Argentina," said Dana Clark, senior attorney at the Center for International Environmental Law (CIEL). [Sources: CIEL, 05/13/98; Notimex, 03/07/98, 04/28/98, 06/19/98, 07/06-08/98; Inter Press Service, 03/13/98, 04/08/98, 06/25/98; Reuters, 04/27/98; CNN, 04/27/98; Spanish news service EFE, 04/29/98, 07/07/98; Clarin (Argentina), El Nuevo Herald (Miami), 07/08/98]

-- End --