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Paraguay and Argentina Meet About Yacyreta Dam

by LADB Staff

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Paraguayan President Nicanor Duarte met in Paraguay July 18 with Argentine President Nestor Kirchner to discuss the binational Yacyreta Dam. The two presidents sought to improve financial and corruption oversight on the project, while Duarte sought forgiveness for Paraguay's debts. They signed a memorandum setting up a commission with a 90-day deadline to form a plan to restructure the hydroelectric project's debts.

Paraguayans want debt forgiven

Paraguayan authorities hoped the meeting would result in an agreement to drop US\$5 billion, nearly half the US\$10.6 billion debt Paraguay owes the Argentine Treasury for the dam. Paraguayan newspapers said Duarte had been left with his hands empty after Kirchner's visit, having failed to obtain the forgiveness of the US\$5 billion, although Kirchner had apparently made prior indications to Paraguayan authorities that he intended to partially annul the debt.

After their meeting, Duarte said, "The definitive solution to the grave financing problems of Yacyreta is beginning to be made, beginning with this historic meeting and the signing of a serious commitment that in 90 days we expect [the solution] to materialize." "Our debt for the construction of the hydroelectric [facility] would not have been so scandalously colossal if it hadn't been for reiterated irregularities and complicit silence, which today we are at last in the process of totally addressing," said Duarte.

"I celebrate that we have taken this step, studying the technical and administrative viability [of Yacyreta]," said Kirchner at the end of his brief trip, his first visit to Paraguay as president. He said he was committed to move forward a commission to investigate the reasons that the project has been held back for so many years and to name the individuals responsible for the "mechanisms of corruption."

The project on the Rio Parana, run by the Entidad Binacional Yacyreta (EBY), took more than twenty years to complete and since completion has struggled to produce at capacity (see NotiSur, 1998-07-10, 2000-03-03 and 2004-04-23). Its scandals have been so frequent that, in 1990, Argentine President Carlos Menem (1989-1999) called it "a monument to corruption." It is one of the largest engineering projects in Latin America.

The Argentine government hopes to have the dam produce 25% of the country's energy for consumption by the end of 2008. Currently it produces 14% of Argentina's power. Argentina consumes 98% of the 12,000 gigawatts Yacyreta produces annually. It is projected that at the end of 2008 the hydroelectric yield will be up to 20,000 gigawatts. Angel Maria Recalde, director of EBY, had said before the meeting that Kirchner was prepared to forgive US\$4.5 billion, but afterwards

he said the presidents agreed to a 90-day period to "fine-tune the necessary [financial and legal] mechanisms to make sure there is no type of resistance."

Before the meeting, Recalde said Kirchner would annul decrees signed in 1981 by Argentina's former military ruler Gen. Roberto Viola (1981) that set high interest rates on the project. "Because of those decrees signed in 1981 by then President Viola, Paraguay had payment of very high interest rates imposed on it," said Recalde. "Viola established a system of compensations [for Argentine construction costs] that were very unbeneficial for Paraguay." Recalde said, "Kirchner recognized that Viola's decrees harmed Paraguay and that is why he will make historic reparations. With this new outlook, Paraguay will continue to honor its part of the Yacyreta debt for 40 years, not in cash but rather with energy, although the hydroelectric project will pay US\$144 million divided into 15 monthly payments" starting on July 18.

Before leaving Paraguay, the Argentine delegation also signed a series of agreements related to infrastructure, public health, and migration with their Paraguayan counterparts. Still, the newspaper *Diario Ultima Hora* in Asuncion chided Duarte for his pre-meeting "triumphalism," saying that the official argument for not yet getting a conclusive debt-forgiveness agreement during Kirchner's visit was, "to seek better transparency."

Recalde also criticized the presidents for their "lack of definition" regarding the project's financial situation when he had expected drastic measures to clean up the project's corruption and delays. Still operating at 60% of capacity With its waters currently dammed up to 76 meters above sea level, Yacyreta is operating at only 60% of its potential capacity, generating US\$400 million in revenue annually. Despite that, the project's debt grows at a rate of US\$1 billion per year, according to *Diario Ultima Hora*.

Without forgiveness of the debt, it will reach US\$30 billion by the year 2023, 50 years after the *Tratado de Yacyreta* was signed. In that event, Paraguay might lose the property it holds at the power plant to its creditors. Argentina is calling for completion of works to raise the waters to 83 meters above sea level and get the plant to produce at 100% of its capacity.

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