

REPORT NO. 37938

**ARGENTINA
SEGBA V POWER DISTRIBUTION PROJECT (LOAN NO. 2854-AR)**

**PARAGUAY
REFORM PROJECT FOR THE WATER AND TELECOMMUNICATIONS SECTORS
(LOAN NO. 3842-PA)**

**Follow-up to the
Meeting of the Executive Directors of the World Bank (May 6, 2004)
on the Inspection Panel Investigation Report No. 27995
and Management Report and Recommendation (April 6, 2004)
and Progress Reports on Implementation of the Management Recommendations
and Action Plan (August 6, 2004 and October 31, 2005)**

**PROGRESS REPORT ON IMPLEMENTATION OF MANAGEMENT
RECOMMENDATIONS AND ACTION PLAN, YACYRETÁ**

December 20, 2006

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ACRONYMS AND ABBREVIATIONS

Acronym	Term (and Translation)
BP	Bank Procedure
CDD	Community-Driven Development
CY	Calendar Year
EBY	Entidad Binacional Yacyretá (Yacyretá Binational Entity, or Corporation)
EMP	Resettlement and Environmental Management Plan
FEDAYIM	Federación de Afectados por Yacyretá de Itapúa y Misiones (Federation of Yacyretá Dam Affected Persons in Itapúa and Misiones [Paraguay])
IDB	Inter-American Development Bank
m ³ /s	Flow rate in cubic meters per second
masl	Meters above sea level
MW	Megawatt
NGO	Non-Governmental Organization
O&M	Operation and Maintenance
OP	Operational Policy (World Bank)
PARR	Plan de Acción para el Reasentamiento y la Rehabilitación (Resettlement and Rehabilitation Action Plan, component of the EMP)
PDA	Programa de Desborde de Arroyos (Creek Flooding Program)
Plan B	Part of the Base Program agreed in 1997. Plan B aimed at addressing problems that surfaced because of the prolonged duration of the reservoir water level at 76 masl.
PMMA	Plan de Manejo del Medio Ambiente (Environmental Management Plan, component of the EMP)
PTY	Plan de Terminación de Yacyretá (Yacyretá Completion Plan)
SAS	Secretaria de Acción Social (Social Action Secretariat–Paraguay)
SRS	Servicios Regionales del Sur
SEGBA	Servicios Eléctricos del Gran Buenos Aires, S.A. (Electricity Services Corporation of Greater Buenos Aires)
TOR	Terms of Referente
UNLP	National University of La Plata (Argentina)

I. INTRODUCTION

1. Yacyretá is a multibillion US dollar hydroelectric facility on the Paraná River, along the border between Argentina and Paraguay. The Project was partly financed by several Bank loans: the Argentina Yacyretá Hydroelectric Project (Loan 1761-AR, 1979), the Argentina Electric Power Sector I Project (Loan 2998-AR, 1988), the Argentina Second Yacyretá Hydroelectric Project (Loan 3520-AR, 1992), and the Argentina SEGBA V Power Distribution Project (Loan 2854-AR, as amended in 1994). The Paraguay Reform Project for the Water and Telecommunications Sectors (originally called the Asunción Sewerage Project, Loan 3842-AR, 1995) financed infrastructure works benefiting about 3,000 people resettled in Encarnación, Paraguay. On May 30, 2002, the Inspection Panel registered a Request for Inspection concerning the Project, linked to Loans 3520-AR and 3842-PA and subsequently conducted a full inspection of the project.¹
2. On May 6, 2004 the Board Executive Directors discussed and approved the Management Response to the Inspection Panel's investigation. The Board asked for follow-up reporting, and subsequent Progress Reports were submitted in August, 2004 and October 2005.² This report is the third in the series of Progress Reports to the Board.
3. On September 15, 2006, the Argentine Republic prepaid the US\$106 million balance due on the Second Yacyretá Hydroelectric Project (Loan 3520-AR), the last outstanding Yacyretá-related World Bank loan. At that point, all legal obligations of the parties under the Legal Agreements were terminated,³ ending the Bank's legal right to supervise the project. As a result, it is expected that this Progress Report will be the last to be submitted in follow-up to the Inspection Panel investigation and Management Action Plan.
4. Consistent with the Board's guidance, this report provides updates on: (a) implementation of the Bank's Action Plan and additional measures identified by Management with respect to the affected parties; (b) grievance procedures for resolving claims related to the project; (c) project activities supported by the Inter-American Development Bank (IDB), and IDB-Bank collaboration on issues identified in the investigation; and (d) decisions taken with respect to the reservoir's water level and potential impacts. Annex 1 provides a more detailed presentation of implementation progress on each of the issues covered in the Management Action Plan.

¹ Following the Inspection Panel Request for Inspection, the Executive Directors authorized a full Inspection Panel investigation on September 9, 2002. The IP report was completed and submitted to the Board on February 24, 2004 ("Paraguay: Reform Project for the Water and Telecommunication Sectors and Argentina: SEGBA V Power Distribution Project"). The "Management Response and Recommendations" were submitted to the Board on April 6, 2004 (Report No. 27995).

² The two "Progress Reports on Implementation of Management Recommendations and Action Plan" were submitted on August 6, 2004 (Report No. 29809-PA) and October 31, 2005 (Report No. 33743), respectively.

³ The term "Legal Agreements" means the Loan Agreement (the Loan Agreement) entered into between the Argentine Republic (the Borrower) and the Bank, the Project Agreement (the Project Agreement) entered into between the Bank and EBY, and/or the Third Owners Agreement (the Third Owners Agreement) entered into between the Argentine Republic, the Republic of Paraguay, and the Bank, all dated November 16, 1992, and as thereafter amended (most recently in December 1997).

BOX 1. PROFILE OF THE PROJECT

The Yacyretá Hydroelectric Project is the result of the 1973 treaty between Argentina and Paraguay that created the binational entity, Entidad Binacional Yacyretá (EBY), to implement the project. The project includes construction of a dam with the capacity to generate 3,200 MW of electricity, a secondary dam with spillways to maintain ecological flows, an earth dam about 65 kilometers long, a navigation lock, irrigation water intakes, and a fish passage facility. The dam was built to operate at full capacity at a level of 83 meters above sea level (masl). However, since various resettlement, environmental, and other complementary civil works were not yet completed, it was agreed in 1994 that the reservoir level would be filled only to the level of 76 masl. With the necessary works still not completed, and a series of economic crises affecting Argentina, the hydroelectric plant operated at about 60 percent of its capacity until this year.

In June 2004, the Governments of Argentina and Paraguay prepared a plan to complete the project by the end of 2008, at an estimated cost of US\$653.4 million. Financing was to come from the Argentine Republic, revenues from interim higher water levels, and the US\$70 million undisbursed balance of an existing IDB loan. Implementation of the plan has progressed although at a slower rate than anticipated by both governments two years ago. EBY estimated this year that implementation costs have increased by 25 percent. Works to be completed include the 10 km Aguapey dike and associated canal, works for sewage collection and treatment in Encarnación, and resettlement of the business district of Encarnación. Both governments remain determined to complete the project as quickly as possible, and for the first time in many years, progress is being seen and welcomed on the ground.

Revisions to the 1973 EBY treaty between Argentina and Paraguay have been discussed between the parties but not finalized. Almost the entire Paraguayan share of the cost of the dam consists of debt financing held by Argentina. A memorandum of understanding on a debt restructuring of EBY ("preacuerdo, a nivel técnico, para la reestructuración de la deuda de la Entidad Binacional Yacyretá") was signed in early November 2006 by the Minister of Public Works of Paraguay and the Minister of Federal Planning, Public Investments and Services of Argentina.

II. UPDATE ON THE YACYRETÁ PROJECT

5. Between October 2005 and the present, the period covered by this Progress Report, the implementation progress of the project has been positive. The governments have met the vast majority of legal covenants and there has been progress on the Management Action Plan. Historic tensions between EBY and the affected parties have declined due to a combination of factors, most notably: (a) tangible progress on civil works in Paraguay and Argentina; (b) the recent responsibly executed increase in water level; (c) the creation of local jobs and the associated economic upturn; and (d) compensation paid by EBY against a significant number of outstanding claims.

6. During this reporting period, one full Bank supervision mission was carried out in December 2005. On April 17, 2006 Ministers De Vido and Benítez (Minister of Federal Planning, Public Investment and Services of Argentina and Minister of Public Works and Communication of Paraguay, respectively) informed the Bank that the two governments decided to raise the level of the reservoir from 76 to 78 meters above sea level (masl). This water level rise would increase the generating capacity from 1,840 to 2,230 MW, or from 58 percent to 70 percent of design capacity. Their letter was accompanied by an annex summarizing overall project progress and the governments' assessment of compliance with the

Legal Agreements. The annex showed that 27 of the total 30 conditions of the Legal Agreements had been met (two more than in 2005).

7. On May 11, 2006 the Bank responded that although considerable progress had been made, legal conditions were pending that warranted further discussion. The Bank also accepted the Government of Argentina's invitation to review the status of the Project and its current level of compliance. Between May and August 2006, the Bank, including through interventions by the Country Director and the Regional Vice President, actively sought to obtain agreement from the government and EBY on the location and agenda for a supervision mission. Despite these efforts, a supervision mission did not take place and discussion of the project was limited to a meeting with the counterparts in Buenos Aires in October 2006.

8. Parallel to these events, the Government of Argentina notified the Bank in July 2006 of its intention to prepay the outstanding balance of Loan No. 3520-AR (the last outstanding World Bank loan related to Yacyretá)—an unpaid balance of approximately US\$105.5 million. This payment was made on September 15, 2006, just over two years ahead of schedule. At this point, the Bank has no further legal right under the Legal Agreements to supervise the project. Notwithstanding, the Bank has communicated on various occasions to both the Argentine and Paraguayan authorities that it is willing to remain engaged in whatever way might be useful and appropriate to the completion of the project, particularly with regard to socially and environmentally related issues. This offer was reiterated in a letter of December 19, 2006, sent by the Country Director to both governments. To date, the governments have not requested the Bank to remain engaged.

III. LEGAL AGREEMENTS

9. The Bank's supervision of the project has been guided by two sets of documents: (a) the Legal Agreements (see footnote 3), and (b) commitments made in the 2004 Management Action Plan in response to the Inspection Panel investigation. The Legal Agreements include some 30 conditions, of which 25 had been met as of December 2005 and 2 more have been met in 2006. Three conditions have not been completed, to the best of the Bank's knowledge, as of November 2006 (see Box 2).⁴ These are: completed issuance of land titles for those people resettled up to 78 masl; completion of the sewerage system for Encarnación; and legal transfer of all public works to local authorities.

10. Independent monitoring has confirmed that the water level remained in the vicinity of 76 masl until late 2005 (albeit with frequent increases up to 76.7 masl, as was reported as early as the 2004 Inspection Panel report), when EBY started to raise the water level to 77.6 masl. The water had reached 77.6 masl by the time of a May 2006 IDB supervision mission. Few, if any, adverse social or environmental impacts have been associated with the rise to that water level, as corroborated by the latest IDB mission and by staff monitoring of the press.

⁴ As noted, there was no full Bank field mission after December 2005, although there were regular points of contact with EBY and other authorities on both the Argentina and Paraguay sides. In addition, Bank consultants joined an IDB mission in May 2006, and a Bank Sector Leader joined another IDB mission in July 2006.

BOX 2. OVERVIEW OF THE LEGAL CONDITIONS REQUIRING COMPLIANCE PRIOR TO THE BANK GIVING ITS NO OBJECTION TO WATER LEVEL RISE

A. Items Completed as of October 2006

- Compensation for lands along the shore of the reservoir;
- Completion of the Municipal Market in Encarnación;
- Compensation paid to all brick and tile makers to whom it is due;
- Completion of the Dam Operational Manual to the satisfaction of the Bank;
- Creation of compensatory Natural Areas for inundated lands;
- Completion of Archaeological Survey and Salvage up to 78 masl;
- Treatment of solid waste landfills to be inundated in Encarnación;
- Relocation of the Encarnación Municipal Slaughterhouse;
- Independent evaluation of Environmental Management Plan by internationally known experts;
- Study of risks to human health from the future urban lateral bays (at reservoir levels above 78 masl);
- Grievance system in place;
- Implementation of a Social Communications Program; and
- Relocation completed and compensation paid up to 78 masl.

B. Items Pending Completion

- Issuance of land titles for those resettled up to 78 masl.
- Completion of sewerage system for Encarnación; and
- Legal transfer of all public works to local authorities.

IV. PROGRESS ON IMPLEMENTATION OF THE MANAGEMENT ACTION PLAN

11. In its response to the Inspection Panel's Investigation Report, Management proposed an Action Plan to follow up on the Panel's findings and strengthen project implementation. The three main categories in the Management Action Plan are Social, Environmental, and Project Supervision Issues. Progress to date is summarized below and presented in detail in Annex I.

Social Issues

12. There has been progress in resolving social issues with the issuance of a revised resettlement plan, the launching of a grievance mechanism for persons with claims against EBY, and the implementation of a communications program, although the implementation of these resettlement and rehabilitation tools has been uneven, as further described below.

Resettlement Plan Update

13. On November 17, 2005, EBY submitted an updated Resettlement Plan (PARR) for completing the project. The revised plan identified some 7,435 families (1,812 in Argentina and 5,623 in Paraguay) still awaiting resettlement. Bank staff reviewed the PARR and found it to be generally satisfactory, and a provisional acceptance was granted in December 2005 subject to the Bank receiving clarification related to issues of timing and budget, and

socioeconomic data. The requested clarifications were not received. Four main issues are pending with regard to the Resettlement Plan.

14. First, of the total number of families to be resettled, 5,795 (or 78 percent) on both the Argentine and Paraguayan sides are *adicionales*, i.e., families not included in the census updates conducted over the years. The updated PARR calls for the respective governments to assume financial responsibility for resettling the *adicionales*, but no formal agreements between EBY and the governments have been reached. Without assured government financial support, resettling the *adicionales* is likely to be financed by EBY, even if EBY tries to negotiate reimbursement from government authorities at a later date.

15. Second, if EBY applies the same standards used for the last resettlement sites it designed in Paraguay, it will need approximately 270 hectares of land (360 m² per house) to resettle the 7,435 remaining families. EBY has encountered great difficulty in finding such an expanse of located land that is acceptable to the resettlers. Consequently, EBY has begun acquiring smaller parcels of land closer to the urban center of Encarnación, a positive step in line with Bank policy. However, EBY is still constrained by a local Paraguayan ordinance that sets 360 m² as the minimum lot size, in spite of the trade-off in preferences between location and lot size. Bank missions have urged EBY to seek a legal means for allowing greater housing density in more centrally located urban areas. EBY has recently indicated that the minimum lot size ordinance is still in effect, but that it may be feasible to propose changes to the local authorities in order to allow more flexible resettlement planning and to accommodate some resettlers closer to the city center.

16. Third, EBY's revised PARR called for publishing a list of all persons/families entitled to housing, with a period of 30 days to make additional claims. That is, families not included on the list could file for entitlement within the 30-day period. The Bank observed that this would be a reasonable approach which, if handled properly, could close the door on squatting and new claims. In October 2006, during discussions with EBY, the Bank learned that the entity changed the methodology presented in the revised PARR. Rather than publishing the list of entitlements, EBY intends to release information about entitlements through its neighborhood offices on an individual basis. This procedure, however, leaves the resettlement baseline open and allows future entry to further additional claimants.

17. Fourth, the resettlement of the downtown business district of Encarnación is still in the planning stage. The December 2005 Bank supervision mission attended a meeting of a tripartite committee established by EBY to address the issues surrounding relocation of the business district. The committee includes merchants from the municipal market, members of the municipal administration, and EBY. Most of the discussion focused around the issue of payments to be made to the merchants against possible business losses. The problem to which the merchants rightly pointed was that the risk of loss of trade would be substantially higher if only a few merchants moved to the new location while the majority remained in place. The Bank and IDB representatives recommended that a partial move to the new municipal market be avoided to the extent possible, until a plan was in place to move all the market facilities to the new location, including the wholesalers and their warehouses, shop owners, street-stand merchants, and others. In December 2005, EBY agreed to this concept. However, in October

2006 EBY indicated that planning for the transfer of only 65 merchants whose shops are located around the municipal market had advanced, although the specific timing of their relocation remains uncertain because financing and construction are pending.

Social Communication Program

18. One of the legal conditions for raising the dam level above 76 masl included establishing a social communications program⁵ that would inform affected persons of their rights and of the timetable of events. EBY has carried out a communications program, albeit reduced in scope from that discussed with the Bank and IDB during the program design phase in 2004 and 2005. The messages reaching people in Encarnación and Posadas have been mainly in the form of announcements on billboards, radio, and television, and focused on the benefits EBY has provided to the region. EBY has not widely disseminated the content or workings of its grievance system, preferring instead to settle grievances through alternate and less formal channels. Overall, the social communications program is more focused on information dissemination rather than dialogue to help resolve local issues.

Monitoring of EBY's Compliance with its Obligations to Affected Parties

19. Over the years, Bank supervision missions held many meetings with EBY, NGOs, and community groups in both Argentina and Paraguay, including with FEDAYIM, the coalition that submitted the May 2002 Inspection Panel Request. Over the past two years there has been a drop in direct contact between civil society groups and EBY, especially in Paraguay. Current EBY staff generally distrust and decline to meet with FEDAYIM and other groups, although general tensions within the community at large have been reduced.

Grievance Mechanism

20. Another important aspect of the Management Action Plan was to assist EBY in the creation of a grievance mechanism capable of responding to complaints that have been presented to EBY, to Bank missions, published in the press, and otherwise presented over the years. The Bank provided direct technical assistance to EBY in 2004–2005 in the form of legal and technical consultancies, and oversight during the last year's supervision mission and meetings.

21. EBY's formal grievance procedure was approved by its Executive Board on September 12, 2005. This procedure sets out measures for receiving, registering, and treating complaints, and includes specific time limits for dealing with complaints. The Bank regarded this resolution positively. As of October 2006, EBY informed the Bank that relatively few complaints had been filed, and that claims are being settled independent of the grievance mechanism. EBY also informed the Bank that the social climate in the affected region had

⁵ Amendment to Loan Agreement, December 11, 1997, Part B.1 (b) of Schedule 2 to the Project Agreement (as amended in December 1997), "Implement a Social Communications Program designed to inform all beneficiaries and affected people of the timetable of delivery for Base Program works, goods and services, together with another such program designed to inform the general public of Argentina and Paraguay regarding the progress and results of the resettlement and environmental programs (EMP)."

become more peaceful than in early 2006, for reasons attributable to a general economic upturn in the area, particularly in Paraguay where works financed by EBY are absorbing considerable amounts of labor.

Redevelopment of Encarnación

22. The Paraguayan city of Encarnación has grown from a population of about 25,000 in the late 1970s when the Yacyretá Project was started to approximately 65,000 today. Most of its downtown area will be flooded as the reservoir levels climb to 83 masl. During 1997–1998, a master plan for Encarnación was prepared and a formal zoning resolution was adopted by the Municipality of Encarnación. However, the master plan was not implemented because the pace of implementing the Yacyretá Project slowed.

23. The Inspection Panel recommended, and Bank Management agreed, that Bank staff assist EBY in preparing an updated urban plan for Encarnación. In December 2005, the firm contracted by EBY presented its preliminary updated plan to the Bank supervision team. The Bank commented that while the plan was a positive contribution, it focused more on the urban design features of proposed EBY investments than on the broader socioeconomic needs of the growing and changing city of Encarnación. The updated plan is being implemented by EBY.

Rehabilitation Measures

24. As Management indicated in the May 2004 Board discussion of the Management Action Plan, two specific funds for community-driven development (CDD) were being prepared by the Government of Paraguay and EBY to assist in the rehabilitation of affected communities. These were: (a) the Productive Fund created by the Government of Paraguay to support productive projects for people affected when the reservoir was filled to 76 masl and above, but who were not included in the PARR; and (b) the Social Investment Fund, set up by EBY and managed by an NGO to implement rehabilitation programs in the resettlement sites. Over the course of 2005, these two funds became inactive, and EBY and the Paraguayan authorities increased the use of direct cash payments to resettled families and other claimants. This approach has the benefit of allowing each family to decide how it wishes to invest its resources and has reduced the level of social tension on the Paraguayan side. Although the Bank has advised against this approach based on international experience, EBY and the Paraguayan authorities continue to rely on cash compensation as their preferred method of rehabilitation. While there have been no complaints by the beneficiaries, this approach has stimulated an increased demand for cash payments by affected people and rent seekers alike.

Reservoir Level and Other Environmental Issues

25. The main environmental issues raised by the project and included in the Management Action Plan are: (a) monitoring the reservoir water level to ensure compliance with the Legal Agreements; (b) the environmental impact of future water level rise, especially related to Encarnación's sewage but also tied to biodiversity conservation; and (c) the environmental impact of the project's civil works, including urban improvements, embankments, and resettlement areas.

26. Between August 2004 and June 2006, the Bank supported an independent review of reservoir levels, carried out by the National University of La Plata. Data show that since at least October 2004, EBY has operated the dam above the level stipulated in the 1997 amendments to the Legal Agreements. After October 1, 2005 (the beginning of the period covered by this report), water levels were above 76.5 masl virtually all the time, including days of low river flow. The independent review also shows that, during the first three months of 2006, the reservoir level was allowed to rise to 77.7 masl, reaching that height before the letter from the Governments of Argentina and Paraguay informing the Bank of their intention to raise the reservoir level.

27. Through the December 2005 mission, the Bank continued to maintain a dialogue with EBY on the issue of the reservoir level. Although the Bank requested that the dam be operated strictly at the 76 masl level during low flow periods as per the Legal Agreements, EBY claimed that an immediate increase in the water level was justified by the need to protect the turbines from damage, as well as by the additional power generated (and associated income to be used to complete the project).

28. In November 2005, heavy rains temporarily raised the reservoir level in Posadas/Encarnación to over 78 masl—a normal and inevitable occurrence that is independent of the dam which is 100 kilometers downstream.⁶ It is noteworthy that at this level, there was no apparent environmental or social damage. The matter was not raised at a subsequent meeting among EBY, the Bank, and FEDAYIM in Encarnación; this indicates that water levels as high as 78 masl have little if any negative impacts. The immediate social and environmental actions required, such as resettlement and relocation of infrastructure for a water level up to 78 masl, had been completed. To date, the Bank has not received any complaints regarding harm caused by these higher reservoir levels. However, there have been comments in the Paraguayan press to the effect that EBY should pass along some of its increased revenues (resulting from the higher water level) to people adversely affected by the project.

29. Regarding a prior concern with a drainage problem near the Arroyo Porá resettlement site, Bank missions have visited the site during every field mission since 2004. In December 2005, the Bank mission found that the drainage problem had been corrected. The problem appears to have been solved without the payment of cash compensation to community members as had been demanded.

Environmental Issues Associated with Future Water Level Rise

30. Future increases in the reservoir water level beyond 78 masl may create problems in the lateral bays that will form in creeks around Encarnación, particularly with regard to disease vectors. As the reservoir rises to the full design height, free-flowing creeks will be flooded, resulting in large areas of shallow and relatively stagnant water in which wastes may accumulate. To address this problem, the Bank has urged the design and construction of a complete sewage collection system for Encarnación, consistent with the project's Legal

⁶ Occasional flooding up to this level is normal. In fact, 78 masl defines the legal level of the river floodplain in Posadas/Encarnación.

Agreements. The partial sewerage collection and treatment system under construction for the southern part of the city does not address the full sanitation and environmental needs of the entire city.

31. Neither EBY nor the Paraguayan authorities have assumed responsibility for a citywide solution. Work on the sewage treatment plant financed by IDB was stopped in late 2005 upon the discovery of a major design miscalculation, and IDB subsequently withdrew its financing for that project. Furthermore, EBY has declared that it will not assume operation of the future Encarnación sewage system nor be responsible for connecting households to the system. There is no development on the horizon that would lead to the improvement of the Encarnación water and sewage utility. The Bank has sought to engage EBY on this issue and recommended that EBY convene an expert panel to review sanitary conditions and future options, yet the inertia behind the current partial collection and treatment system under construction has proven strong, and no progress has been made.

V. PROJECT SUPERVISION AND COLLABORATION WITH THE IDB

32. Since October 2005, the Bank conducted one full joint field supervision mission with the IDB (December 2005), several smaller missions to Buenos Aires, and three small missions to Asunción. In addition, Bank staff and consultants accompanied two IDB missions to the field in May and July of 2006. As discussed in Section II above, the Bank did not have its own field supervision in 2006, because EBY and the Argentine authorities determined that meetings in Buenos Aires could substitute for a supervision mission (see also paragraph 7).

Table 1: Yacyretá–Bank Supervision Missions and Meetings since the last Progress Report				
Mission Dates		Locations Visited	Participating Staff and Consultants	Topics Covered
09/21/2005	09/21/2005	Buenos Aires	C. Brandon (Sector Leader)	Meeting with Argentine Secretary of Energy, EBY Executive Director, and staff
12/12/2005	12/16/2006	Posadas, Encarnación, Asunción	A. van Trotsenburg (Country Director), C. Brandon (Sector Leader), D. Gross (Lead Resettlement Specialist/Consultant), E. Sánchez-Triana (Senior Environmental Specialist), G. Sánchez-Martínez (Civil Society Specialist)	Meeting with Paraguayan Minister of Public Works EBY Directors and staff Meeting with Civil Society Organizations Reservoir Level Buffer Zone Dam Operational Manual Encarnación Urban Plan Trust Fund Management Structure of PTY Social Communication
05/08/2006	05/12/2006	Encarnación and Posadas	M. E. Sili, Planner/Consultant; L. García, Water and Sanitation Engineer/Consultant	Water quality in Urban Bays Reservoir Level Hydrodynamics of Reservoir Joined full IDB mission.

Table 1: Yacyretá–Bank Supervision Missions and Meetings since the last Progress Report (cont.)

Mission Dates		Locations Visited	Participating Staff and Consultants	Topics Covered
05/31/2006	05/31/2006	Asunción	C. Brandon	Lic. Angel Recalde, Dir. EBY Paraguay
07/18/2006	07/18/2006	Encarnación and Posadas	C. Brandon	Reservoir level and status of complementary works as observer on IDB mission
10/25/2006	10/25/2006	Buenos Aires	C. Brandon; D. Gross	Meeting with EBY staff

V. CONCLUSIONS

33. The project's implementation progress has generally been positive. The Governments of Argentina and Paraguay have complied with the vast majority of loan covenants, in particular those critical for safe operation of the facility and mitigation of impacts from having the reservoir operate at current levels of 78 masl and below. Tensions among the governments, EBY, and social groups have declined significantly, reflecting progress in project implementation, economic growth, and job creation. There has also been steady but slowing progress on implementation of the agreed Action Plan in response to the Panel's investigation. In several instances, pending Action Plan activities reflect EBY's and the governments' decision to resolve social and environmental issues in less transparent yet somewhat effective measures. In the case of environmental impacts from future reservoir water levels above 78 masl, the lack of a citywide sewage collection system for Encarnación remains a concern. To date, however, water levels have not gone above that mark.

34. The Bank has offered to continue providing support not only to the Government of Argentina, but to the Government of Paraguay and to EBY, with particular regard to ongoing social- and environment-related issues. To date, there has been no request from the governments for the Bank to remain engaged. As stated above, upon loan repayment all legal obligations of the parties under the Legal Agreements have been terminated; therefore, the Bank has no further legal authority to supervise the project. While the Bank will continue to stand ready should the governments decide to request its assistance, it is expected that this Progress Report will be the last to be submitted in follow-up to the Inspection Panel investigation and Management Action Plan.

ANNEX I. ANNOTATED MATRIX OF THE MANAGEMENT ACTION PLAN AND PROGRESS TO DATE

The matrix that follows indicates the specific actions proposed by the Bank as part of its Management Response to the Inspection Panel's Investigation Report, which were approved by the Board in May 2004, together with an indication of the progress achieved to date in their implementation.⁷

Management Action Plan in Response to Inspection Panel's Findings

Implementation Progress to Date

Environment–OD 4.01

Resettlement sites and civil works (Items 3, 8, 9, 40)

- | | |
|---|---|
| <ul style="list-style-type: none"> • Management will request that EBY update the screening process for non-dam-related civil works and that it include a quality assurance protocol to evaluate the environmental conditions and the quality of the civil works in the resettlement sites. The Bank will continue to monitor engineering supervision and contractor insurance practices and will request improvements, as necessary. | <ul style="list-style-type: none"> • The Bank requested that EBY update the screening procedures for non-dam-related civil works and provided assistance to do so. These procedures are used for assessing the environmental impact of infrastructure- and resettlement-related works. This framework was approved by EBY's governing board in late 2004 and applied to housing developments after that date. The updated procedures are designed to enhance the design, construction, and quality assurance of remaining civil works at existing and future resettlement sites. |
| <ul style="list-style-type: none"> • The Bank will monitor the system EBY has in place to supervise civil works and request that contracts continue to include required clauses. The Bank will also continue to pay careful attention in future supervision missions to construction deficiencies. | <ul style="list-style-type: none"> • The Bank continued to monitor EBY's systems in place to supervise civil works and requested that contracts continue to include the required clauses. This monitoring included the December 2005 field visit. The Bank paid careful attention to construction deficiencies during supervision, particularly those relating to the Arroyo Porá resettlement. |

Biophysical environment–long-term (Item 6)

- | | |
|---|---|
| <ul style="list-style-type: none"> • The Bank will continue to closely monitor compliance with the Legal Agreements, including the environmental and social mitigation measures, and will ensure that EBY is apprised of its findings, with a view to improving EBY's capacity to maintain adequate environmental management practices for the project over the long term. | <ul style="list-style-type: none"> • Bank teams continued to monitor compliance with the Legal Agreements, including environmental and social mitigation measures, and apprised EBY of their findings. This monitoring included the December 2005 field visit and a meeting in Buenos Aires in October 2006. |
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⁷ The item numbers given in each row refer to items in Annex 1 of the Management Report and Recommendations in response to the Yacyretá Inspection Panel Investigation (May 6, 2004).

**Management Action Plan in Response to Inspection
Panel's Findings**

Urban and periurban environments: population growth, induced impacts, and host populations (Item 7)

- The Bank will continue to supervise compliance with the implementation of the PMMA component of the EMP, in accordance with the provisions of the Legal Agreements.

Implementation Progress to Date

- The Bank, along with the IDB, continued to supervise compliance with the implementation of the PMMA component of the EMP, in accordance with the provisions of the Legal Agreements. This included the full EMP in missions conducted in April and December 2005. The Bank urged EBY to address environmental risks including, most importantly, the risk of disease vectors arising from the urban bays that will be formed as the reservoir rises. The Bank has also urged adoption of a more flexible model for resettlement housing in order to accommodate the resettled population's different needs and demands. In November 2005, EBY submitted a revised Resettlement Action Plan which the Bank considered generally satisfactory, and has begun to acquire land parcels closer to the urban core of Encarnación.

Reservoir level verification (Item 11)

- Management will urge the Governments of Argentina and Paraguay and EBY to establish a means for independent verification of the reservoir level. Bank staff will monitor this and confirm that the reservoir is operated at 76 masl, in accordance with the Legal Agreements. Management will also request EBY to validate the height-flow rate curves every year.

- Management urged the Governments of Argentina and Paraguay and EBY to establish a means for independent verification of the reservoir level. EBY published reservoir levels on its website for a brief period in 2005 and then discontinued this service.

Bank staff monitored and confirmed the water level. The Bank contracted a specialized team from the UNLP to carry out an independent assessment of reservoir levels and height-flow rate curves. UNLP found the reservoir to be consistently operated above 76 masl at times of low flow during 2004 and 2005 and at 77.7 masl during late 2005 and 2006.

EBY revised its Dam Operating Manual in 2004, but the Bank did not accept the revised manual because it stipulated permissible operating levels in terms of broad bands that exceeded (in the Bank's view) conditions in the Legal Agreements. The Argentine and Paraguayan Governments officially announced their decision to operate the reservoir at 77.6 masl in April 2006, and this water level rise was confirmed by the independent monitoring.

Management Action Plan in Response to Inspection Panel's Findings

Sewerage system (Items 15, 16, 17, 41)

- Management will request EBY to make all relevant drawings of sewerage systems, pumping stations, and the wastewater treatment plant, as well as any other non-dam-related civil works, available to the community. In addition, the Bank will monitor inclusion of activities to clarify the areas being covered and the proposed time frame for coverage in EBY's social communications program.
- Management will confirm that the sewerage system has been completed prior to the raising of the reservoir level to 78 masl, in accordance with the pertinent provisions of the Legal Agreements, and will urge EBY and the Paraguayan authorities to pursue IDB or other financing for the household connections.
- It is expected that actions pertinent to transfer and supervision of the sewerage system in Encarnación will be undertaken by IDB prior to the raising of the reservoir level to 78 masl.
- Management is urging EBY to accelerate efforts to improve the outfall of effluents from the Itá Paso resettlement site even prior to the completion of the wastewater treatment plant.

Implementation Progress to Date

- Management requested EBY make all relevant drawings of sewerage systems, pumping stations, and the wastewater treatment plant, as well as any other non-dam-related civil works, available to the community. Accordingly, the plans for the sewerage system, pumping station, and wastewater treatment plant were made publicly available in mid-2004. The Bank monitored the inclusion of activities to clarify the areas being covered and the proposed time frame for coverage in EBY's social communications program. Through December 2005, the Bank remained closely engaged with EBY and both governments on the design and implementation of the system. EBY commissioned a study of the risks connected with the lack of sewerage in northern and eastern Encarnación when the reservoir level reaches 83 masl. The report concluded that the urban lateral bays did not pose a serious risk of forming habitats for insect disease vectors although the risk of eutrophication is high. EBY has not directly addressed the issue of the coverage of the sewerage system. EBY has launched a social communications program, although it has focused on dissemination of information rather than on dialogue to help resolve local issues.
- Construction of the sewerage system in Encarnación's southern zone and a sewerage treatment plant, both with IDB funding, have undergone serious delays. Completion is now scheduled for 2007, but IDB has withdrawn its funding for the sewage treatment plant over design and fiduciary concerns. Neither Bank nor IDB financing of household connections in Encarnación is likely. There is no clear plan in place for financing household connections to the system.
- Compliance with the Legal Agreements, which cover both construction and transfer of ownership of the sewerage collection and treatment systems, was closely monitored. To date, government authorities in Paraguay have been reluctant to assume responsibility for infrastructure built by EBY.
- Management urged EBY to accelerate efforts to improve the outfall of effluents from the Itá Paso resettlement site, even prior to the completion of the wastewater treatment plant. Accordingly, the sewage collection system at Itá Paso has been completed.

Management Action Plan in Response to Inspection
Panel's Findings

Implementation Progress to Date

Social – OD 4.30

Social Communications Program (Items 18, 23, 24, 27, 28, 38, 44)

- During supervision, the Bank will monitor EBY's implementation of the social communications program, to improve the relations between people implementing the project and those affected by it.
- The Bank monitored EBY's implementation of the social communications program. During 2005, EBY formally adopted a Social Communications Policy and Program, closely following recommendations made by Bank and IDB consultants. It also contracted a communications consulting firm to guide its Social Communications Program. It appears that EBY is relying on the firm to implement much of the program rather than training its own personnel in communication skills as was recommended by the Bank and the IDB.
- The Bank will monitor EBY's provision and dissemination of information on the criteria and procedures to be used in order to confirm **beneficiary status**, as part of its implementation of the social communications program to comply with Plan B.
- EBY has maintained contact with affected populations through its neighborhood offices (*oficinas barriales*) and although EBY social workers appear to be well motivated and familiar with the people they serve, considerable uncertainty persists regarding:
 - beneficiary status
 - property valuation and appeals
 - the resettlement sequence in the updated PARR
 - resettlement timing under Plan B and the Urban Creeks program.
- The Bank will monitor inclusion in EBY's social communications program of specific programs of information and consultation with **host populations** for planning and carrying out construction in resettlement sites.
- The Bank will monitor inclusion in EBY's social communications program of provisions for strengthening the dissemination of information to affected people on the procedures that EBY employs for **property appraisals**. Moreover, the Bank will assess the adequacy of valuation procedures for the properties that will be expropriated prior to raising the water level further.
- Overall (referring to the last six bullets in the left-hand column), the Bank has had relatively little capacity to monitor communications with host populations, in part because EBY has not been willing to release information about sites under study. However, the Bank's impression is that, in general, host populations have benefited significantly from social infrastructure provided in connection with housing projects (including health posts, schools, preschools, community centers, and the like).
- The Bank will monitor inclusion of improved plans for dissemination of procedures for **property valuation and appeals** in EBY's social communications program.
- Management will confirm that the social communications program includes information on the **resettlement sequence** to be incorporated in the PARR component of the Revised EMP.
- Management will confirm EBY's implementation of a social communications program, to comply with **Plan B**, and will urge EBY to address communication issues under the **Urban Creeks Program**.

Management Action Plan in Response to Inspection Panel's Findings

Updated PARR (Items 19, 22, 29, 30, 35, 37)

- Management will confirm that the updated PARR component of the Revised Environmental Management Plan (EMP), when completed, is in full compliance with OD 4.30 and the Legal Agreements, before the reservoir level is raised beyond 78 masl. Management will also urge EBY to make the census and relevant topographical data public, and will advise EBY on ways to improve its procedures for public review.
- Management will confirm that the updated PARR component of the Revised EMP includes specific programs to promote the better integration of resettled and host populations (discussions are underway).
- Management will confirm that the updated PARR component of the Revised EMP considers alternative sites and different resettlement strategies, and that both be subject to consultation.
- In the updated PARR component of the Revised EMP, the Bank will confirm that the required **socioeconomic data** has been included. The Bank will also facilitate a workshop, planned for the third or fourth quarter of 2004, to train EBY staff and to discuss additional measures to improve the rehabilitation programs.

Implementation Progress to Date

- Management confirmed that the PARR component of the Revised Environmental Management Plan (EMP), was updated (submitted to the Bank on November 17, 2005), and in general is in full compliance with OD 4.30 and the Legal Agreements, pending clarifications on issues including timing, budget, and social economic data. Both the Bank and IDB provided support in the form of consultants, workshops, TORs, and technical guidance to EBY as it updated its resettlement plan. EBY continues to issue periodic reports and an annual evaluation. The requested clarifications were not received, and the Bank has been unable to supervise implementation of the PARR since the December 2005 mission. As noted above (see paragraph 16 in the main text), EBY informed the Bank in October 2006 that while the PARR calls for publishing a list of entitlements on a certain date followed by a 30-day period to receive comments or complaints, EBY has elected to follow a different and less transparent methodology.
- Management has confirmed that the updated PARR component of the Revised EMP includes specific programs to promote the better integration of resettled and host populations. EBY has adopted the pragmatic position that its obligation extends to making it possible for displaced people to restore or improve their previous standard of living. However, EBY continues to rely heavily on cash grants with relatively little training or investment follow-up. The Bank urged EBY to reconsider its relocation of people to the urban periphery where transport is difficult and job opportunities are scarce, and EBY has begun to select relocation sites closer to the urban core.
- The Bank urged EBY to incorporate into the PARR resettlement alternatives and rehabilitation programs for relocating families, businesses, and industries into the PARR. As noted above, EBY has begun to select relocation sites closer to the urban core.
- The Bank has confirmed that the updated PARR component of the Revised EMP includes the required socioeconomic data.

Management Action Plan in Response to Inspection Panel's Findings

- Management will confirm with EBY that the updated PARR component of the Revised EMP (which is required to be revised prior to raising the reservoir beyond 78 masl, in accordance with the Legal Agreements), includes a **realistic plan, budget, and timetable** for completion of resettlement activities.
- Management will confirm that the updated PARR component of the Revised EMP has included provisions to continue giving priority in resettlement **sequencing** to the most vulnerable and most impacted groups, particularly those located in areas prone to periodic flooding, as well as the sick and elderly.

Monitoring (Items 20, 30)

- The Bank will continue to advise EBY and monitor compliance with implementation of the PARR. The Bank will also continue to advise EBY that cash compensation is not a satisfactory means, nor is principal occupation the sole criterion for income restoration.
- Management will continue to urge EBY to collect the necessary baseline data, and it will monitor how the current PARR responds to the impacts caused by displacement.

Implementation Progress to Date

- The updated PARR lacks a timetable and budget, in spite of the Bank and IDB having addressed this issue in June, September, and December 2004; at the rehabilitation workshop held in April 2005; in the December 2005 supervision mission; and in the October 2006 meeting.
- The revised PARR did not make it clear that the most vulnerable families would receive priority in the resettlement sequence. The most vulnerable families are likely those living along creeks that are subject to flooding (not from the reservoir). These families are not necessarily the first to receive new housing from EBY.
- The Bank continued to advise EBY and monitor compliance with implementation of the PARR. The Bank continued to advise EBY that cash compensation is not a fully satisfactory means, nor is principal occupation the sole criterion for income restoration (including in June, September, and December 2004; at the rehabilitation workshop held in April 2005; with the Paraguayan authorities in early September 2005; and during the December 2005 supervision mission).
- Management continued to urge EBY to collect the necessary baseline data and to monitor how the current PARR responds to the impacts caused by displacement. The Bank provided technical assistance on baseline georeferenced data collection and usage in October and December 2004, and subsequently through the international resettlement consultant financed by the IDB.

**Management Action Plan in Response to Inspection
Panel's Findings**

Dispute resolution/grievance procedures (Items 21, 22)

- During the second quarter of 2004 the Bank will oversee a review of existing claims against EBY in order to address issues of dissatisfaction, and propose a renewed effort (together with the IDB) to develop a credible and transparent dispute resolution process. The Bank will continue to work closely with EBY to establish this process as soon as possible.
- Management will urge EBY (and provide guidance as necessary) to include in the grievance procedures a means for the reception and solution of claims that could emerge from host communities during the resettlement process.

Implementation Progress to Date

- During the second quarter of 2004 the Bank oversaw a review of existing claims against EBY in order to address issues of dissatisfaction, and proposed a renewed effort to develop a credible and transparent dispute resolution process. The Bank retained a law firm, Baker & McKenzie, working in conjunction with a systems analyst, to analyze a sample of existing claims and EBY's system for handling such claims. The study provided a computerized tracking system and made recommendations on improved procedures. In 2005, the same law firm provided workshop training to EBY. In a separate study commissioned by the Bank in late 2004, an expert consultant presented options for alternative dispute resolution. Elements of both studies were incorporated in the EBY resolution dated September 12, 2005. In September 2005, EBY approved a new grievance system that acknowledges these inputs. In October 2006, EBY informed the Bank that relatively few complaints had been filed, and that claims were mostly being settled independent of the grievance mechanism.
- During all field visits, management and staff urged EBY to adopt clear procedures for receiving and settling claims from all affected parties. EBY's readiness to receive claims is linked to the Social Communications plan, but it does not appear that EBY has widely disseminated its grievance system.

Management Action Plan in Response to Inspection Panel's Findings

Brick makers (Items 26, 31, 32, 33, 34)

- Management will request that EBY continue to provide small brick makers with access to clay deposits. Management also will monitor inclusion in EBY's social communications program (to comply with Plan B) of activities to ensure that brick makers are aware of the location of clay deposits on EBY-owned property.
- Medium- and large-sized industries will continue to have access to clay deposits on the land that EBY owns until the reservoir level is raised.
- Management will request EBY and the Paraguayan authorities to meet the 2004 timetable for disbursing benefits under the Productive Fund to the informal workers already identified. Management will also request that EBY make every effort to identify former workers of brick- and tile-making industries who did not previously receive compensation for loss of employment due to their informal status and utilize the Productive Fund to provide them with appropriate compensation. Finally, management will confirm with EBY that the updated PARR component of the Revised EMP includes provisions for employment alternatives for both informal and formal workers who lose their employment due to industry closure or relocation.

Implementation Progress to Date

- The Bank has been assured that small brick makers have continuing access to clay pits. In fact, the brick and tile industry is much larger now in Encarnación than it was a decade ago, especially now that EBY sources bricks and tiles from local producers. In addition, the Bank urged an expanded program to communicate with all affected parties, including brick makers. However, EBY insists that it has discharged every obligation it has to brick and tile makers. There is some evidence of rent-seeking among these producers including some small producers who apparently set themselves up in business solely to access resources from EBY.
- In October 2004, September 2005, and December 2005, the Bank confirmed with EBY that medium- and large-sized industries will continue to have access to clay deposits on the land that EBY owns until the reservoir level is raised. EBY no longer delivers clay to producers since the time limit for such deliveries has expired.
- Management requested and EBY disbursed funds to individual families for productive enterprises through 2005, but the funds subsequently became inactive. There has been relatively little follow-up technical assistance. Beneficiary families have used the funds for consumption or, in some cases, to set up or augment small handicraft, manufacturing, or food-service businesses.
- In terms of the brick and tile industries, EBY has taken the position that it has met or exceeded all obligations to brick and tile makers and workers. In an attempt to resolve outstanding claims, in August 2005 the Government of Paraguay made a cash offer of approximately US\$2,000 to each of the 29 unresolved brick- and tile-maker claimants, but it was rejected. The Bank has confirmed that the 130 former workers claiming compensation have been identified. The Bank has urged EBY to process the remaining disputes and claims by brick and tile makers, and by former workers, through EBY's formal grievance mechanism.

Management Action Plan in Response to Inspection Panel's Findings

Implementation Progress to Date

Influx of people into the Project area (Item 36)

- The Bank will urge the Paraguayan authorities to explore all available legal and administrative means, such as licensing, permitting, or fiscal policies, to discourage new development or influx into the land between 78 and 84 masl until such time as EBY has adequate financial resources to acquire this land.
- The Bank discussed the matter at length with EBY and local officials during 2004 and 2005. Local officials insist that responsibility for discouraging squatting lies with EBY. EBY has agreements with the police and with private security providers to suppress illegal occupation of lands to be flooded. EBY's revised PARR provides for a cutoff date for new entitlements. While it appears that no extensive new settlement is going on between 76 and 83 masl, EBY has not provided the Bank with data to support this conclusion.

Supervision – OD 13.05 – OP/BP 13.05

Technical quality and expertise (Items 7, 40, 44)

- The Bank will continue to monitor the system EBY has in place to supervise civil works and request that contracts continue to include required clauses. The Bank will also continue to pay careful attention in future supervision missions to construction deficiencies.
- The Bank has continued to monitor the system EBY has in place to supervise civil works and has requested that contracts continue to include required clauses. The construction of civil works has been supervised by nearly every field mission. Aside from the drainage problem in Arroyo Porá mentioned in the main text (paragraph 29), no major construction defects have appeared in the works financed by the Bank. However, a significant miscalculation in the amount of landfill required in the construction of the Encarnación sewage treatment plant, and related circumstances, led to the withdrawal of IDB financing. In October 2006, EBY informed the Bank that, with EBY's own financing, the sewage treatment plant was scheduled for completion in December 2006, and that the sewage system for Southern Encarnación was scheduled for completion in 2007.
- To strengthen Bank supervision, an architect/urban planner with experience in environmental and social assessments will join the Task Team to supervise issues related to infrastructure and housing for resettlement sites.
- The Bank team found little receptivity by EBY or local officials in Encarnación for support from a Bank architect/urban planner with experience in environmental and social assessments. EBY chose to engage the services of a development firm in Buenos Aires to produce an urban plan for Encarnación. As noted in the main text (paragraph 23), the Bank observed that the plan focused more on urban design features than on the broader socioeconomic needs of the growing and changing city of Encarnación.
- EBY has informed the Bank that it will contract independent ex post evaluations for the resettlement sites of Arroyo Porá and Itá Paso.
- EBY informed the Bank that it contracted an independent firm to review and evaluate implementation of resettlement plans in Arroyo Porá and Itá Paso. Regular reports have been submitted to and accepted by the Bank.

Management Action Plan in Response to Inspection Panel's Findings

Consultation (Item 42)

- In accordance with the Panel's findings, future Aides-Mémoire will be expanded to document the subject matter of Bank meetings with affected people, with summary findings and notes of follow-up actions needed.

Level of supervision (Items 43, 46)

- The Bank will emphasize to EBY that, among the works required for completion of the project, the most urgent are those related to resettlement, and that local actors and organizations must be involved in overseeing resettlement activities. In addition, the Bank will continue to send any project-related corruption complaints received to the Department of Institutional Integrity.
- The Bank has recently upgraded and expanded its Asunción office, and is recruiting a civil society specialist to join in April or May 2004. Among this person's duties will be local supervision of progress in implementing the PARR and other project-related requirements.
- The Bank will continue to review and comment on proposals for raising the reservoir level and monitor compliance with the pertinent provisions in the Legal Agreements. In addition, the Bank intends to continue supervising the project through the final repayment of the Second Yacyretá Loan.

Reporting (Item 45)

- Based on the results of the Panel's investigation and related data gathering, Management will take into account all available information and prior experience in order to improve the quality of future reporting.
- In addition, Management will report to the Board annually on the implementation of the proposed Action Plan.

Implementation Progress to Date

- Aides-Mémoire were expanded to document the subject matter of Bank meetings with affected people, with summary followings and notes of follow-up actions needed. Extensive summaries of meetings with civil society organizations in June, October, and December 2004, and April and December 2005 have been prepared and are available.
- The Bank emphasized to EBY that, among the works required for completion of the project, the most urgent are those related to resettlement, and that local actors and organizations must be involved in overseeing resettlement activities.
- Bank missions have repeatedly been asked by civil society groups to audit the use of Bank funds. Regular financial audits, as required by the Legal Agreements, were performed prior to loan closure. No specific allegations of corruption or misuse of funds have been received by the Bank since the Inspection Panel case began.
- The Bank's civil society specialist based in its Asunción office is an integral part of the team and has participated in nearly all missions since 2004.
- The Bank has used the Legal Agreements as a basic reference to establish clear benchmarks for actions necessary before the Bank could issue a no objection to water level rise. The Second Yacyretá Loan was scheduled to be repaid by November 2009, and the Bank intended to continue supervision of that project until such date. However, the Government of Argentina prepaid the loan on September 15, 2006; therefore, the Bank has no further legal right to supervise the project under the Legal Agreements.
- Management has taken into account all available information and prior experience in order to improve the quality of reporting. As a result of the loan prepayment, all legal obligations under the Legal Agreements have been terminated. Unless asked by EBY, Argentine, or Paraguayan authorities, the Bank has no plans for further supervision activities.
- Management considers the present report to be the final report to the Board of Directors concerning this project.