

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**THE INSPECTION PANEL**

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**IPN REQUEST RQ02/1**

May 30, 2002

**NOTICE OF REGISTRATION**

**Re: Request for Inspection**

**PARAGUAY – Reform Project for the Water and Telecommunications Sectors  
(Loan No. 3842 –PA)<sup>1</sup>, ARGENTINA –SEGBA V Power Distribution Project  
(Loan No. 2854 – AR)**

On May 17, 2002 the Inspection Panel (the “Panel”) received a Request for Inspection (the “Request”)<sup>2</sup> related to the above-referenced projects (the “Projects”). The Request was submitted by **Federación de Afectados por Yacyretá de Itapúa y Misiones (FEDAYIM)**<sup>3</sup>, a local nongovernmental organization on its behalf as well as of more than 4,000 families affected by social and environmental impacts of the Yacyretá Hydroelectric Dam, and six coordinators of affected people in the following districts: San Cosme y Damián, Distrito Cambyreta, Barrio Pacu Cúa, Barrio Sta. Rosa Mboy Caé, Arroyo Potiy, Ayolas, Barrio Santa Rosa (the “Requesters”). The Request also attaches letters to provide evidence that the Mayors and Municipal Councils of the City of Encarnación and the District of Cambyreta have endorsed the Request. There are a number of other documents attached to the Request as well.

The Requesters claim to represent more than 4,000 families affected by the pending liabilities or “deudas pendientes” (an apparent reference to Yacyretá’s Base and Pending Actions Programs<sup>4</sup>) which have their origin in the raising of the level of the reservoir of the Yacyretá hydropower plant to 76 meters above the sea level and, possibly, higher. According to the Request, because of inadequate project supervision by the Bank, these families were not appropriately identified and “*quantified in their real dimensions*” and, as a consequence,

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<sup>1</sup> The original name of the Project was “Asunción Sewerage Project” and was changed by an Amendment to the Loan Agreement dated January 27, 2000.

<sup>2</sup> The Requesters note that the same Request is being submitted to the independent inspection mechanism of the Inter-American Development Bank.

<sup>3</sup> “The Federation [of People] of Itapúa and Misiones Affected by Yacyretá”.

<sup>4</sup> These programs are defined and referred to in the legal documents related to loans financing the Second Yacyretá Hydroelectric Project, including Loan 2854-AR.

thousands of them were excluded from existing compensation and mitigation programs in spite of the fact that they have owned and occupied lands affected by the dam for more than 20 years. What follows is a summary description of their claims.

First the Request cites, as an example, the case of 110 families represented by the Requesters who live in the district of Cambyreta on the banks of the Potiy Creek (Arroyo Potiy) who settled in the area around 1978 and “*are now affected by floods every time that it rains.*” The Request also cites similar cases of families living on the banks of the following creeks: Mboy Caé, Santa Maria, and Yacu Paso (several photos attached to the Request illustrate this claim). The Request further claims that families for whom the creek flood control program was established, are being replaced by families from the neighborhoods of Pacu Cúa, Santa Rosa, Mboi Caé, Ita Paso and San Blas, who are in no way affected by the devastating situation being borne by those living on the creek banks for whom this program was created.

The Request also states that these affected families are concerned that the program currently underway- for 700 homes in Ita Paso and 400 in Arroyo Porá - will end with no solutions having been found for many of the families afflicted by the situations described and shown in the photos provided, these families, according to the Requesters, are “enduring extreme conditions that are truly life threatening”.

The Request also complains about the environmental contamination and adverse health impacts caused by the elevation of the reservoir (which raised the water table and fouled latrines and contaminated drinking water wells). According to the Request, this situation was further aggravated by the housing developments built by Entidad Binacional Yacyretá (EBY)<sup>5</sup> in Buena Vista and San Pedro, where the wastewater spills into the Potiy, Santa María and Mboi Caé creeks, leaving them totally contaminated. This would be still further aggravated by the fact that the work planned to resolve the pollution problems will not meet its main objective, since, according to a document the Requesters hold, the planned Wastewater Treatment Plant will not benefit these neighborhoods built by EBY, nor others affected by the rise in the water table. As such, the Requesters believe, the chance to recover or clean up these streams will be lost for good, and numerous families will be condemned to live in a polluted environment.

The Request claims that the reservoir has caused severe health problems. The reservoir, filled with stagnant, polluted water with sewage waste, is an ideal habitat for microorganisms that are vectors of serious disease, such as malaria, leishmaniasis, schistosomiasis, dengue fever and other diseases. Statistical data from the Ministry of Public Health and Social Welfare (Sanitation Region Seven) for the years 1990, 1992 and 1994, mentioned in the Request would show that diseases related to the reservoir’s existence are among the main causes for doctor’s visits, e.g., diarrhea, anemia, parasitic infection, skin diseases such as pyoderma and ectoparasites. According to the Request, since the reservoir was filled, people living in the area of influence have complained of a high incidence of fevers. The Requesters

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<sup>5</sup> Yacyretá Binational Authority

allege that there have been no programs for monitoring and controlling disease-causing microorganisms, and if this remains unresolved, it could lead to an alarming and catastrophic health situation.

The Requesters state that the Bank has failed in its duty to ensure that EBY provides people with suitable compensation and resettlement stating that, as an example, the compensation approved for the requesting families living in the Santa Rosa, Arroyo Pora and Ita Paso neighborhoods “were negligible amounts that will in no way make it possible for the families to buy new land and rebuild their homes.” Similarly, they state, the Bank and EBY have no plans to restore the families’ productive infrastructure.

Finally, the Request states that compensation and resettlement programs for brick-makers benefited only the owners of productive units and left their workers unemployed and in a very difficult economic condition.

The Requesters’ claim that the Bank’s actions and omissions described in the Request constitute violations of various provisions of the following Bank Policies and Procedures:

- OD 4.00, Annex B on Environmental Policy for Dam and Reservoir Projects
- OD 4.01 on Environmental Assessment
- OD 4.30 on Involuntary Resettlement
- OD/OP/BP 13.05 on Project Supervision
- OD 10.70 on Project Monitoring and Evaluation
- OD 13.40 on Suspension of Disbursements

All communications with the Requesters in connection with the Request will, until further notice, be sent to Dr. Angela Vergara de Miranda, FEDAIYM’s President, at the address listed below.

In accordance with paragraph 17 of the Panel’s Operating Procedures (the “*Operating Procedures*”), I am notifying you that I have, on May 30, 2002, which is also the date of the dispatch of this notice, registered this Request in the Inspection Panel Register.

In accordance with paragraph 18 of the Resolution, paragraphs 2 and 8 of the “*Conclusions of the Board's Second Review of the Inspection Panel*” (the “1999 Clarifications”), and paragraph 18 (d) of the *Operating Procedures*, Bank Management must provide the Panel, no later than June 28, 2002, with written evidence that it has complied, or intends to comply with the Bank’s relevant policies and procedures in relation to the above-referenced Projects. The subject matter that Management must deal with in a response to the Request is set out in paragraphs 3 and 4 of the 1999 Clarifications.

After receiving the Management response, the Panel will, as outlined in the 1999 Clarifications and as provided by paragraph 19 of the Resolution, “*determine whether the Request meets the eligibility criteria set out in paragraphs 12 to 14 [of the Resolution] and*

*shall make a recommendation to the Executive Directors as to whether the matter should be investigated.”*

The Request has been assigned IPN Request Number RQ02/1.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Edward S. Ayensu". The signature is fluid and cursive, with the first name "Edward" and last name "Ayensu" clearly legible.

Edward S. Ayensu  
Chairman

Dra. Angela Vergara de Miranda  
Cerro Corá 269  
Encarnación,  
Paraguay

Mr. James D. Wolfensohn  
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International Bank for Reconstruction and Development  
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The Executive Directors and Alternates  
International Bank for Reconstruction and Development