

# Guaigui dam Dominican Republic

**Sectors:** Hydroelectric Power Generation

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[Project website](#)

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## About Guaigui dam

The Guaigui dam project, located in La Vega province in the Dominican Republic, has been in the works since 2001, although its environmental impact study was presented in 2002 ([Pro-Ambiente J&M S.A.](#)) and its environmental license was issued in 2003 (License n. 0044-03). The project costs were initially estimated at US \$42.5 million. In 2003, NCC, the Norwegian firm building the dam, halted its construction due to disagreements with the Dominican government over costs. The company stepped out of the project altogether in 2005. Since then, new attempts have been made to resume construction. In the end of 2005 a contract was awarded to Italian-Dominican consortium Impregilo-Yarull. However, the Dominican government failed to secure funding since it was unable to take out loans due to a limit set in place by the IMF on the amount of debt that the government could take on. In June 2007, ABN AMRO ultimately decided to discontinue the loan initially contracted in 2000 and further renegotiated in 2005-2006. In October 2011 the Dominican government announced the project was soon to recommence with funding from Deutsche Bank and the Dominican government at a total cost of US\$ 115.3 million.

The project consists of a dam, a hydroelectric power station, and electricity transmission lines. The dam is designed to be 70 meters high, 200 meters long, and will have the capacity to hold 50 million cubic meters of water, although the 2003 license authorizes 800,000 cubic meters. The power plant would have an installed capacity of 2.0 MW and the reservoir would supply water to 600 hectares of agricultural lands ([Sercitec 2010](#)). Project objectives would include providing the town of La Vega with potable water, and control flooding of the Camu river. The government has additionally stated it plans to promote tourism around the reservoir area, although the characteristics of the reservoir make that option unviable. Because the main objective of the dam is flood control, necessary changes in the water level will result in creating aesthetically unappealing shorelines, thus reducing tourist appeal ([FIVAS, 2002](#)).

The construction of the dam has met the opposition of Dominican citizens and residents of the area. Opponents claim that the primary motivation for the dam's development is to create business opportunities around tourism and recreation for a few privileged local business owners. This would explain why the government plans to expropriate approximately 22 km<sup>2</sup> of lands while the reservoir is expected to occupy an area many times smaller, around 2.8 km<sup>2</sup>. The communities' fears are confirmed by a study commissioned by the Dominican government in 2010. The study affirms that: "Considering that the people in the area of influence, especially those with properties adjacent to the future reservoir, have shown their interest in participating in tourism activities that can be developed, it is considered of importance to the project's socioenvironmental management, clearly defined activities that could be performed on the banks of the reservoir" ([Sercitec 2010, p. 199](#)). The construction of the dam will affect at least 500 families of small coffee farmers in three surrounding communities founded over 150 years ago. At least 129 of these families will be forcibly displaced and have no guarantee they will be adequately relocated. None of the affected communities have been adequately consulted or informed on the dam and its impacts, as the Dominican government decided they had "no capacity to understand the technical details of the project". This statement (originally in Spanish: "En la parte técnica supongo que los afectados no estarían en condición de asimilar aspecto técnico...") was made by INDRHI engineer Romer Polanco at a public hearing held on February 8, 2006.

Many opponents of the project assert that the advantages proclaimed by the Dominican government are overstated and made without any scientific basis or quantifiable calculations. The approved project does not match its stated objectives, and no alternative project has ever been considered. The risks would be increased by the geological characteristics of the area since the project is located near the Bonao Fault.

The project is an initiative of the Dominican government and is being overseen by the National Hydraulic Resources Institute, INDRHI. Additional project stakeholders (past and present) include: Norwegian construction firm NCC; Italian-Dominican consortium; Impregilo-Yarull; Norwegian consultants Sweco Groner and Norplan; Norwegian Export Institute GIEK; the Copenhagen branch of ABN AMRO; and Deutsche Bank.

## Brief history

**2000:** Government of the Dominican Republic signs a loan agreement with a value of USD 42.5 million for the dam project

**2002:** Norwegian construction firm NCC starts construction of the Guaigui dam

**2003:** NCC halts construction because of disagreements it was having with the Dominican government over project costs. Between 2002 and 2003 the perforation of a 350 meter long diversion tunnel was completed

**2005:**

April- NCC removes itself from the project

August- INDHRI places a call for new tenders to finish construction of the project

September- INDHRI awards construction contract to Italian-Dominican consortium Impregilo-Yarull. The contract value at this point is US \$54 million. Sweco Groner is in charge of the final design, while Norplan would supervise the project. The combined value of the consultants' contracts is US \$5 million. Construction on the dam did not commence, however, because the Dominican government was unable to take out loans due to a limit that was established by the IMF

**2011:**

October- President Leonel Fernández gives approval for resuming construction on the dam; current project costs: US \$115 million

## Issues

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### Human rights and social issues

Construction of the Guaigüí dam will significantly impact the lives of the people in the region. Due to land-use changes, the current agricultural and recreational uses of the land will be affected. Peoples' dependency on agriculture and livestock for their subsistence means that the dam's construction will threaten their ability to provide for their families. The building of the dam will result in the displacement of families. Peoples' traditional way of living, their community structure, and social cohesion will be negatively affected if they are forced to move elsewhere. The majority of families in the Dominican Republic that have been forced to relocate due to dam projects end up in city slums with no way to support themselves. This is something that families in the La Vega province fear, especially since their entire livelihoods center around their ability to support themselves via agricultural means. El Comité Defensa de Guaigüí (Committee in Defense of Guaigüí) was established by villagers and the group's objective is to protect the rights of the local people and to argue against the dam's creation. For more information please click [here](#).

### Environmental issues

The construction of the Guaigüí dam will have negative environmental impacts on the surrounding environment. The most significant impact is the physical change of the river's flow and the change in the water layer. Because of this, habitat loss will occur as well as habitat changes in the reservoir basin. Along with habitat effects, changes in the types of vegetation located downstream of the dam are also expected to manifest. These impacts on habitat and flora will certainly affect the fauna in the region, thus reducing their geographical range or forcing them to relocate because of the unsuitability of the changed environment.

In addition to the above, other changes are expected to occur. First, the physico-chemical properties of the water are expected to change. Coupled with this, erosion processes will also be altered because of the damming. Sedimentation is also a major problem in dammed rivers; it is something that occurs over time and can cause significant issues in the future. Because of the dam, sediment builds up and accumulates in the dam's lake instead of being transported downstream and being deposited in a delta. Due to the alternation in the natural sedimentation process, the sediment build up decreases the size of the lake and shortens the lifespan of the dam.

Besides the above-mentioned changes that are expected during the operational phase of the dam, there will be a multitude of environmental impacts during the construction phase as well. An increase in noise and air pollution can be expected as land is cleared and physical construction of the dam commences. Changes in topography, soil contamination, and water pollution are also likely (due to improper waste management). Overall, the ecological value of the area and the local ecosystem will be undoubtedly affected by the dam's construction. For more information on the dam's potential impacts, please click [here](#).

## Governance

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### Applicable norms and standards

**World Commission on Dams**

## Updates

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### Construction activity is beginning

**Mar 11 2012**

Per local citizens, construction road work has begun and equipment is being transferred into the area. The Dominican government has been making offers to buy land for RD\$ 10,000.00 per "tarea". This offer is at a significant discount considering that the market price is seven times that.

## Financiers

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### Banks

[Deutsche Bank](#) Germany [profile](#)

[Details](#) ▼

Debt – corporate loan

USD 78.2 million

April 2010

source: [link](#)

### Export credit agencies

[Guarantee Institute for Export Credits \(GIEK\)](#)

[Details](#) ▼

Debt – trade finance

USD 8.2 million

April 2010

export credit guarantees - The \$78.2 million loan provided by Deutsche Bank included a tranche of \$8.2 million to cover the costs of export credit guarantees provided by GIEK.

source: [link](#)

### Government funding

[Government of Dominican Republic](#)

[Details](#) ▼

Uncategorised

USD 37.1 million

government financing

source: [link](#)

### Additional information about earlier bank involvement:

ABN AMRO, although no longer involved in the project, did provide financing for the Guaigui project. Details are provided below.

#### First construction phase

**December 2000:** The government of the Dominican Republic signed a loan agreement with the Copenhagen branch of ABN AMRO (the Netherlands) to finance the Guaigüí dam project. The loan had a value of US \$42.5 million and came along with a guarantee from the Norwegian Export Institute (GIEK). US \$23.0 million from the initial loan amount was spent until 2003, when construction was halted.

#### Second construction phase

**2005-2006:** Part of the loan provided by ABN AMRO which was not spent during the first construction phase was activated in 2005/2006, along with an increase of the loan with US\$ 23.4 million. This brought the total amount to US \$65.9 million.

**2007:** ABN AMRO decided not to continue with the loan

Overall, it is unknown as to which amount of the US \$65.9 million loan was actually taken out before ABN AMRO stepped out of the project.

## Related companies

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**Hermanos Yarull T. & Co. S.A.** Dominican Republic

**Norplan** Norway

**SWECO Groner AS** Norway

Provides consulting services in various sectors, including: transportation, water, energy, and civil engineering.

**The Salini Impregilo Group** Italy