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REPORT

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Forests

MAKING A PACT TO TACKLE DEFORESTATION IN PARAGUAY

Written by Sarah Hutchison at WWF-UK, with support from Lucy Aquino at WWF-Paraguay, this case study draws on 15 interviews (see Annex 1), and previous lesson-learning reports and case studies. It provides an example of how we are working to mobilise government, civil society and private sector actors to ensure effective policy enforcement. The advocacy work of WWF and its partners has often been successful at achieving policy changes, but perhaps the most challenging task is to ensure that we can turn rhetoric into action by mobilising key stakeholders. This is an example of how we help make legislation work on the ground and of how conservation does not necessarily have to compromise productive agriculture.

In 2004, the government of Paraguay passed a Forest Conversion Moratorium or 'Zero Deforestation Law', making it illegal to clear any forested land in eastern Paraguay. Since then, deforestation rates in the Upper Parana Atlantic forests have fallen dramatically – by 90% against a 2002 baseline. As a result of this great success, the law has been extended twice. The government has now committed to cut net carbon emissions from changes in land use to zero by 2020.

WWF and our partners have played a critical role throughout this process. We proposed the initial moratorium, and have been raising public awareness, and mobilising civil society, government departments and producers at national and regional levels to work together to sign up to and conform to forest laws. This case study examines and reflects on the process that led to compliance with forest law in eastern Paraguay and the role played by WWF.

1. INTRODUCTION

"Previously there was no interest in forestry conservation... the problem was seen as very far away... We have managed to educate half of the country – it takes years, it is a process you have to continue to develop. It is not just about deforestation but also about working with the people who really want to conserve their forests" (WWF-Paraguay)

Paraguay is a land-locked South American nation wedged between Brazil, Argentina, and Bolivia. It has a population of approximately six million people, of which 97% live in the eastern part of the country, the area once dominated by the Atlantic forest – one of the world's most biodiverse ecosystems. Prior to 2004, Paraguay had the second-highest deforestation rate in the world. More than 7 million hectares of forest were destroyed in just 40 years. As a result, a once continuous and impenetrably dense ecosystem is now a patchy series of isolated fragments, with just 13% of the original forest area remaining. Most of this forest was cleared for agriculture – soy and cattle – which forms the backbone of Paraguay's economy.

The extent of forest loss could be considered a situation almost beyond the point of no return. However, in a relatively short period, deforestation in the Atlantic forests has dropped by 90% (comparing the deforestation rate for 2009 against a 2002 baseline).

Reforestation is now at an all-time high, and there has been a significant voluntary movement of farmers to come into compliance with the country's forest law.

Underlying these remarkable achievements is the existence of coalitions that have garnered the support and backing of civil society at both national and local level. This case study looks at the different factors that are helping to create a sea-change in thinking in eastern Paraguay. It focuses especially on the coalitions that have been essential to the progress made in turning deforestation around.

Politics, poverty and inequality in Paraguay

Paraguay's democratic system is new and fragile: the election of Fernando Lugo in 2008 ended six decades of one-party rule by the Colorado Party. Challenges to Paraguay's future development and good environmental governance include weak institutions, poor rule of law and a culture of corruption.

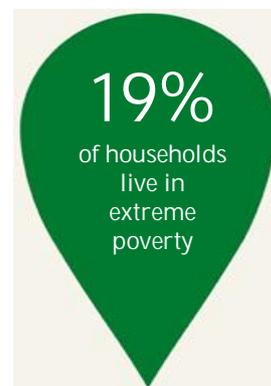
There are large disparities in the distribution of land and wealth in the country: 70% of the land is owned by just 2% of the country's landowners; 80% of the landowners own 20 hectares or less, covering 5% of the land; and 19% of households live in extreme poverty (World Bank, 2007).

The indigenous population of Paraguay consists of 17 ethnic groups. They face significant problems of poverty and marginalisation, with land development and squatters posing a particular threat to their way of life.

Many immigrants from European, Asian and other Latin American nations have made Paraguay their home over the last century. Japanese agricultural settlements still remain. Cheaper land prices in Paraguay also attracted large numbers of Brazilians involved in large-scale agriculture.



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2. COMMITTING TO ZERO DEFORESTATION

Changing the Law: The Zero Deforestation Law

In 2004, it was becoming clear that due to poor enforcement and a booming soy industry Paraguay would lose all its Atlantic forests within a few years if nothing was done to bring down deforestation rates. In a last ditch attempt to avoid this, WWF, with the help of a multidisciplinary team of consultants, drew up a proposal for a Forest Conversion Moratorium¹ for the eastern region of Paraguay. In 2004, the Paraguayan Congress approved the proposed moratorium (known as the Zero Deforestation Law) for two years (Law 2524/2004). This made it illegal to transform or convert any forested land in the Atlantic forests of eastern Paraguay. This marked the start of the moratorium's implementation.



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The drivers of deforestation in Paraguay:

- Disconnected and contradictory laws and incentive systems.
- Indiscriminate conversion of forest to pasture and agricultural land driven by population growth, land colonisation and a near absence of land-use control.
- High levels of corruption within the state institutions charged with the administration of forest resources, and impunity against prosecution for those who can afford it.
- Weakness of government institutions to implement forest law – including low budgets, poor salaries and under-valued human resources.
- Inadequate forest management, with policy being geared exclusively towards the exploitation of forested areas, and the absence of a ‘forest police force’ to ensure compliance with forest laws.
- Poorly conceived incentives for loans, and the financing of agricultural development, without a requirement for the evaluation of environmental impact analyses (EIA).
- Lack of public knowledge and appreciation of the importance and value of the forests beyond their economic potential. So forested lands have been sold at low prices, leading to massive over-development of agriculture and ranching.

Creating support for a moratorium: The Social Pact Coalition

We were aware that no progress could be made to enforce the moratorium without the support and backing of a wide range of stakeholders. So we also embarked on a stewardship campaign to raise awareness among the public, government and producers of the key importance and value of the Atlantic forests, beyond their economic potential (e.g. their effect on human health; their role in water balance for maintenance of microclimates, which is vital for the productivity of human commercial activities; and their impact on biodiversity and indigenous culture, among others).

In addition, we helped to create a stakeholder coalition initiative, called the Social Pact for the Conservation of the Atlantic Forests. The coalition brought together interests from different sectors to unite around the common objective of ‘Combining willpower for the conservation and sustainable development of the Upper Atlantic forests’. The Social Pact created a network of support for the implementation of the moratorium, and formed a vital platform for dialogue between the different interest groups. It was a necessary step given the frequent confrontations between private groups (including unions and social organisations) and the public authorities.

“Although there are very good laws and deforestation law and a good legal element, the compliance is very poor or had been very low when this programme started. The participation of the civil society was therefore crucial to support enforcement of the law. Although civil society organisations do not have a legal role they have a role to raise these issues. So the Social Pact and the communication campaign were the tools that we had at that moment to promote and raise issues regarding deforestation... We tried to bring the biggest organisations related to rural development – the Soy Bean Association, etc – and some of them were very tough to work with. But over time they came to understand that we were not against income, development or crops but against deforestation.” (former WWF staff member)

The Social Pact was led by the Vice-president of the Republic and the UNDP. The organisation and facilitation of the pact was WWF’s responsibility. The pact document was developed, and by August 2005, the pact was convened by the Vice-presidency of the Republic and the United Nations as the principal signatories. Some 139 organisations signed up to it, including organisations representing some of the most powerful soy producers in the country, government ministries, civil society groups, and governors of the four political departments in the east of Paraguay: Itapúa, Caazapá, Guairá and Caaguazú (see Annex 2). More specifically, it aimed to provide a collective answer to the difficulties of political, social and economic order under existing legislature, and develop a system of control that would implement the correct sanctions effectively. As one interviewee pointed out “this was the first time stakeholders at all these levels had come together to discuss what to do to address deforestation, and this is what gave the process weight”

The pact established commitments from each participating group to support work that would halt deforestation and address other issues including reforestation that were implemented to varying degrees. This was designed to achieve a more sustainable combination of production and conservation. More specifically the pact addressed the implementation and enforcement of the Zero Deforestation Law, as stakeholders were very aware that the pervasive impunity that reigned in the country could seriously undermine its success.

Importantly, the Social Pact gained the backing of the productive sector – particularly the soy industry, which is the principle driver of land conversion in Paraguay. An important element in galvanising the support of the productive sector (principally soy) was a study which demonstrated that by using existing fallow lands, there was potential for agricultural expansion without clearing more land. Hence, a freeze on deforestation would not adversely affect the sector’s growth. As a WWF staff member reported:

“this built the awareness among the soy producers that signed that it wasn’t necessary to fell trees to continue producing”.

In 2006, the Zero Deforestation Law was extended for a further two years. And in 2008 it was extended for five more years until December 2013. The clock is now ticking for the government, WWF and pact members to ensure that once the moratorium lifts, the whole land-use dynamic has been shifted onto a more sustainable footing to prevent deforestation rates returning to previous levels. The Zero Deforestation Law and Social Pact were significant achievements, but we realised that lasting change would not happen unless it could be successfully implemented on the ground, with the testing of approaches and tools that made it workable. “It needed to be demonstrated that the last remnants of forest in private hands could be conserved”.

Ensuring compliance on the ground: decentralising the process

At the end of 2005, the implementation of the pact was expanded to the municipal level. This became known as the Conformance with Forest Law (CFL) programme. Paraguay, like many countries, has a number of environmental laws – some good, some lacking clarity or with gaps, and others that are outdated. The majority of these laws were not being implemented consistently. The Conformance with Forest Law programme was a WWF initiative. We are working with the government on its delivery, to promote the implementation of the package of legislation in a realistic and workable way to protect and manage the Atlantic forests and help them to recuperate. This programme evolved from a WWF project (Tradable Development Rights) which focused on establishing a system to trade forest ‘credits’ as a way to give owners incentives to maintain or restore forest cover on their land.

At the municipal level, local coalitions were developed, creating a forum for the different stakeholders to come together to agree how to achieve the goals of the programme. These coalitions were coordinated by WWF. They included all the relevant governmental institutions: the Secretary of the Environment (SEAM), the National Forest Institute (INFONA), the General Attorney, and the Municipality (including their boards). It also included a number of NGOs: Pro Cosara (which provides assistance to smallholders), Guyra Paraguay (which assists smallholders and raises awareness), Moises Bertoni Foundation (which establishes tree nurseries), and the Environmental Law Institute, IDEA (which provides training in environmental legislation).



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“The CFL is a programme that focuses more on issues at the municipal level. Whereas the Social Pact started nationally and was more like a group of people with good intentions to work together, the work at the departmental and municipal level is much more directed to actions and activities and on how to implement CFL. It is very much about getting down to the details, working with a lot of variables to get more tangible results. It stopped being just about good intentions.”

WWF-Paraguay



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CFL: The process

- Each landholding is assessed using satellite imagery to determine whether the landowner has complied with the law and kept 25% of their land forested, and has 100m of forested land on either side of watercourses. If they're not in compliance, their forest 'debt' is calculated (i.e. the amount of land that would need to be set aside for regeneration or reforestation). Those with more than 25% forested are considered to be in 'credit'.
- A legal window of 60-90 days is opened by the municipality for those landowners with forest debts to come forward voluntarily and agree to a plan to come into compliance. This plan could typically be for two years, to allow the landowner to reforest or begin to allow natural regeneration to take its course. It could also include trading their rights with another landowner through direct payments. Due to difficulties in negotiating agreements between landowners, and the very limited number of farmers with forest 'credits', the trading of rights happens rarely.
- For those landowners with forest debts who fail to sign up voluntarily, legal action begins. If it's an administrative case, a fine is the usual consequence (around US\$3,500) and the producer may be required to plant saplings or carry out some sort of social work such as making a donation to a school or hospital. If it's a penal case, the producer is required to immediately take action to restore the deforested area and can face a jail sentence.
- WWF plays a central role in the assessment process, using satellite images provided by the Brazilian Space Research Institute (INPE). We're building GIS capacity in each municipality so that they can take on the property assessments and the monitoring required.

Conformance with Forest Law

The Conformance with Forest Law programme focused on two key aspects of Paraguay's forest law:

1. That landowners with over 20 hectares must retain 25% of the land in forest.
2. 100m on either side of water courses must be left forested.

CFL can only be applied in areas where an up to date official register of land tenure is available. Currently Paraguay only fulfils the necessary conditions to apply CFL in two political departments: Itapúa and Alto Paraná (which hold 20% of Paraguay's Atlantic forests). So these were the focus of the pilot project to roll out CFL. The following sites were selected: the municipality of Pirapo in the Pirapo watershed, and the municipalities of Santa Rita, Santa Rosa and Naranjal in the Ñacunday watershed (170,300ha). These four could not be more dissimilar in their socio-cultural make-up. Pirapo's population is mostly of Japanese descent, and they started working the land about 50 years ago. Santa Rita is one of Paraguay's wealthiest municipalities, with a large Brazilian population. Here the soy boom has really taken hold and the majority of the landowners were infringing the forest law. Santa Rosa and Naranjal are also prosperous areas with large cattle ranches.

In Paraguay, producers are required by law to have an environmental licence to produce crops on their lands. The licence defines what can and cannot be done in terms of deforestation, sets out any particular requirements to conform with Forest Law, and controls for pesticide use, etc. However, many of the producers don't own this licence to operate, so we undertook a preparatory initiative to help the producers acquire the necessary environmental licence. This has put unanticipated pressure on the limited human resources of the authorities to process the applications, and on WWF to provide the necessary support.

Between 2006 and the present day, WWF-Paraguay has worked through the coalition partners in these four municipalities. The process evolved over time to adapt to the different social, economic and political contexts in each municipality.

Going forward, we plan to continue working to increase the coverage of the CFL programme in these four municipalities and in the further one of Ñacunday. CFL has also been started in another watershed, the Jejui Guasu watershed, with the aim of reconnecting two important forest blocks (the Mbaracayu Reserve and the Private Reserve Morombi) through the forest restoration that results from CFL. This new project will pioneer using the population of spotted wildcats to indicate the effectiveness of the biological corridor.

WWF plans to continue the work at the national level by extending this type of coalition into other areas of the country and promoting the establishment a land tenure data-base for the implementation of CFL.

The aim is to ensure that once the Zero Deforestation Law is lifted, economic alternatives and appropriate governance systems are already in place. As part of this process, we'll be exploring with stakeholders the implementation of REDD+² mechanisms that include economic incentives for protection of forest and sustainable agricultural practices. To date, many lessons have been learned from this local level process and a number of challenges have also been encountered.

Challenges and lessons learned

The challenges faced in decentralising the process to municipal level included:

- **The cultural diversity.** The process in each municipality had to be tailored to each reality. It required starting from scratch in each place, given the almost complete lack of application of the forest law. But the implementation of the CFL mechanism in one municipality at times made the implementation in a neighbouring one easier, and sometimes workshops or meetings were combined. As WWF-Paraguay reports: *“There was, however, an immediate and positive response from each of these four municipalities – it is not an easy task for their mayors to convince their farmers to accept the mechanism, but this is what they have all done”*.
- **Lack of awareness of the pact.** The municipalities of Santa Rita, Naranjal and Santa Rosa had not been a part of the Social Pact. They had not signed the pact document (it had been signed at the departmental level but not necessarily disseminated by the governors) and were not aware of the preceding process.
- **The complexity of the issues and of the steps.** One of the mayors interviewed explained that *“for some of my farmers the theory was clear, but putting it into practice was more complicated”*. In trying to apply the law, various confusions and lack of clarity were encountered. At the beginning, expectations were raised and the process got off to an accelerated start; but later it slowed down. Every hectare taken out of production could represent lost revenue in the short term for the producer, so progress on the ground can advance more slowly than progress in the discourse.
- **Grey areas in the law.** The Attorney General's office also confirmed that there were various grey areas in the law. For example, one of the most important they are now working on to make much clearer is how much land legally has to be reforested. If landowners have deforested more than the legally required forest reserve of 25% that they must restore forest back to 25% of their land.
- **Lack of know-how.** Another key challenge identified by the Attorney General and one of the mayors was that although families were signing up to come into compliance, they had little knowledge of how to do this. They sometimes acted on poor advice from consultants. *“They [consultants] often give information that is of little use or even wrong, and this has even resulted in some landowners infringing the Zero Deforestation Law”*. Now that the process has progressed, the different options of natural regeneration and reforestation are clearer, and there are more good examples to show and to learn from.
- **Lack of institutional capacity.** Two of the local government interviewees pointed to the weakness of state authorities (such as the Secretary of the Environment (SEAM) and the prosecutors) as a handicap to the process, mentioning lack of resources and inefficiencies. One mayor complained: *“the government doesn't even sanction the worst offenders”* and *“the national authorities have essentially opted out of the process, leaving the municipality to drive forward the conformance process without their support. Neither INFONA [The National Forestry Institute], the SEAM or the public prosecutor are working very effectively, because the deforestation is continuing”*. One also pointed to the need for further training for municipal staff.



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3. ACHIEVEMENTS - EVIDENCE OF CHANGING BEHAVIOURS AND IMPACT

Changes in mindset

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A first step to changing mindsets is to make people aware of, and interested in the issue. Forest law compliance and the need to conserve and restore forests is now a topic of conversation for many of the producers and their children.

“At the table in people’s houses the topic is starting to be discussed”.
(Government stakeholder)

One second-generation producer told of how the land had all been forested 38 years ago when his father first arrived in the area. *“As there was so much forest at the time, my father could never have imagined that today it would have become such a rare and valuable resource”.* He states that he feels like the reconstruction of the landscape is at last beginning, referring to it as *“an attempt to fix what our father destroyed”.*

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At the regional level, interviewees observed that there is a better debate about conservation and authorities are taking forest laws and issues more seriously. For instance, a government stakeholder cited the example of the Coordinator for Campesinos from the municipality Santa Rosa de Monday convening a meeting of all authorities responsible for the application of environmental laws (Secretary of the Environment, the National Forestry Institute and Attorney General) to ensure the roles and jurisdiction of each entity was explained.

WWF and our partners have developed various public campaigns on TV, urban and rural radio stations, and in the press. These have played a vital role in informing and encouraging participation in conservation. For example, the campaign *‘Paraguay breathes with all its lungs’*, a separate initiative to this project, is the brainchild of a very well-known broadcaster in Paraguay, Humberto Rubin, involving WWF-Paraguay. Its aim is to mobilise reforestation of the Atlantic forest and reconnect important forest blocks to restore viability for biodiversity and environmental services. It has galvanised the support of many local firms and tree nurseries, including important stakeholders that didn’t sign the Social Pact but that are now active in reforestation, such as the Paraguayan Timber Federation. The campaign has already exceeded its initial goal of reforesting 14 million tree saplings.

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Another powerful mechanism to drive awareness, promote transparency and increase social pressure to comply with the law has been the publication of several legal cases in the press. This has spread an important message that compliance with the forest law is taken very seriously. As one government stakeholder pointed out, *“no-one wants to be seen as a delinquent”.*

Environmental education in schools is also playing an important part. Local NGO Pro Cosara, a partner of WWF and a signatory to the pact, is working with up to 4,500 children in three municipalities (Itagua Poty, Tavai and Alto Vera). It reports that its work is beginning to show encouraging results and that the children are taking the ideas back home with them. For example, in Tavai, 25 of the students’ mothers have formed a group committed to restoring part of the land and gallery forests in their municipality with the support of Pro Cosara. The campaign *‘Paraguay breathes with all its lungs’* is providing the saplings.

Compliance with the forest laws

In the case of compliance with the Zero Deforestation Law, the majority of interviews agree that the programme has been successful. “It has brought important legal support to bear on stopping deforestation and the fruits of its application are visible”. (Government stakeholder)

“This Conformance with Forest Law programme creates the conviction that – place by place – the law will be applied and that the authorities are present. The fact that voluntary compliance is encouraged has been a key factor in the programme working”. (Government stakeholder)

Across the four municipalities targeted under the project, 163 properties constituting 10% of the total area of the two watersheds are currently coming into compliance and the area of forest being regenerated or replanted covers 16% of the legal forest deficit.

Pirapo, where work first started at the municipal level, is demonstrating particular success. All of the landowners with forest debt signed up voluntarily to comply. A government stakeholder reported that from a random sample of 30% of landowners assessed between 2008 and 2010, all had carried out the actions agreed in their compliance plans within three years. Based on this, the municipality can assume that at least 75% of landowners are in the process of coming into compliance in this municipality.

Important legal actions have been taken in response to infringements of this law. A total of 124 cases of noncompliance have been processed in the Ñacunday watershed. In one case, the producer was fined US\$1 million for attempting to subdivide 2,500ha of forest into smaller packages to avoid having to comply with the law.

However, there are criticisms that the legal rulings are not strong enough to prevent further deforestation. In the previous example, the landowner could have been imprisoned; instead, despite the fine levied, he would still have made a significant profit.

As WWF-Paraguay’s director, Lucy Aquino, points out: “I don’t think these legal actions are enough. The problem with the administrative cases is that they do not demand restoration, just a fine and social work, so the benefits are not returned to the land itself. In the penal cases, we still do not have people who have infringed the law in jail, despite the Zero Deforestation Law being in place”.

One of the most powerful indications that the process has really taken hold is that there are now cases of landowners coming into compliance even before the programme has started in certain areas. There are also examples of farmers setting aside more than the required 100m beside watercourses, such as 400-500m in areas of slopes.

“In my municipality, there are those even working towards maintaining 30% of the land as forest reserves in order to be able to negotiate the additional 5% in the carbon capture market”. (Municipal government stakeholder)

While it is currently illegal to deforest any forested land in eastern Paraguay, the CFL programme is working to ensure that those landowners who had already deforested more than they should have done are replacing their deficits.



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The Attorney General believes that most of the eastern part of Paraguay will be able to come into compliance. However, it takes significant time and effort to work with each landowner, and to set up the appropriate checks and balances to ensure compliance. There is still a long way to go – even in the pilot areas – to ensure more complete coverage of the CFL programme. One producer warned that “CFL has not reached everybody. There are still many who are failing to comply but are getting away with it and if the programme is serious then it needs to reach everybody, not just a few as is currently the case”.

Changes in institutions

The Conformance with Forest Law programme has also led to changes within the authorities. The relevant authorities are now working together in a coordinated fashion that did not occur beforehand. It's also helped strengthen capacity. One particularly significant area of progress is the development of mechanisms and methodologies to monitor the compliance of producers, which can be tracked by the relevant authorities in a coordinated way.

“The programme has allowed us to have a monitoring and control mechanism – we now know exactly how many properties need action” (Government stakeholder)

Improved transparency has allowed cases of corruption within the institutions to be spotted and dealt with, enabled by improved awareness and coordination between agencies. The local prosecutors now have more contact with the local authorities and people are more informed, so they can report any suspected foul-play to WWF or other members of the local coalitions.

“In my experience the bribe culture is not currently in operation in Pirapo. It has been some time since I have heard that kind of complaint from landowners. This could be because the majority of producers are now observing environmental law, or at least taking steps towards doing so, so there's now little motive for the solicitation of bribes” (Producer)

The number of locally-based prosecutors has increased from three to 15, to service the CFL programme as it expands. Each case has to be followed through from start to finish, and requires a long administrative and legal process.

The Attorney General highlighted that one of the major positive impacts of the programme has been “the greater national presence the government now has in remote areas, largely populated by immigrants, where there was very little institutional presence before”. The government is also seeing the benefits of being much more closely in contact with producers. He also highlighted how efficiencies have been achieved in terms of the ability of the programme to change behaviours in a short amount of time with low costs.

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Changes in agricultural practices

As a result of the increased number of producers with environmental licences, there is anecdotal evidence that the application of laws around pesticide use have also improved. One government interviewee said: “After having applied the Conformance with Forest Law programme, producers have a positive attitude towards their environmental licences and the number of producers requesting these licences has increased as well. It is noticeable that they are aware of the need to comply with these”.

This has also meant that social organisations – and even other producers – can now denounce bad agricultural practices with greater voice. “The campesino society now knows that it has rights and can demand these rights. The judges can no longer turn a blind eye to a case or accusation”.



In 2002, deforestation had dropped by 90%

Deforestation and reforestation

“In my opinion we have achieved something historic – because without this law the Atlantic forest in Paraguay would have ceased to exist. In 1999 the situation was so severe that it could all have gone in 10 years given the rates of deforestation” (former WWF staff member)

In 2002, the annual rate of deforestation of the Atlantic forests of eastern Paraguay was 110,000 hectares. By 2009, deforestation had dropped by 90% to 10,876ha a year. While commodity prices for soy and beef underwent variations during this time, these commodities were also at their highest levels of production. WWF-Paraguay sees this as further evidence that deforestation is not required to allow for increased production in these commodities.

Figure 1

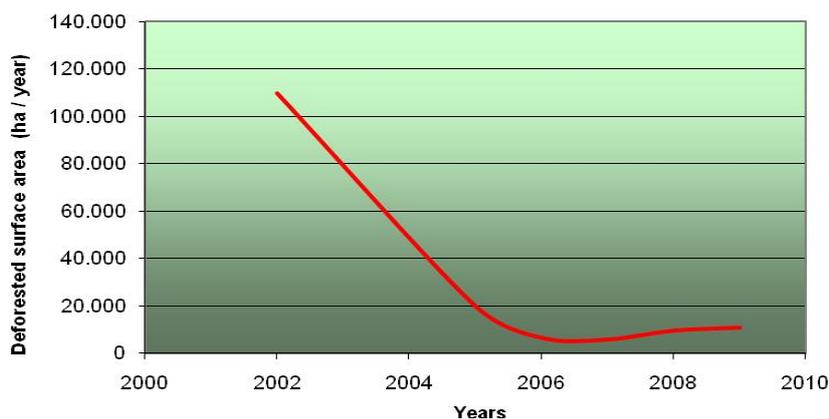


Figure 1. Rate of deforestation in Upper Parana Atlantic Forest of Paraguay, 2002-2009. (note that data is not available for 2003 and 2004 so a linear decline as been assumed in this graph, which may have been different in reality).

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Unexpected outcomes

A former WWF staff member mentioned that the process has made the productive sector much more open to exploring issues of corporate social responsibility and that funders such as USAID are now providing funds for improvements within the soy industry.

As more producers come into compliance with forest law, they can more easily meet the requirements of banks and financiers that demand all environmental paperwork to be in place before granting loans.

A new policy has emerged from the process – on payments for environmental services. This policy is approved (Law 3.001/06), but it's not yet supported by a detailed regulation which will allow it to be applied in practice. One of the interviewees pointed out that, as a result of the CFL programme **“Some of the building blocks are being put in place: legal compliance, tree nurseries, reforestation, etc”**.

Landowners whose land is more than 25% forested can obtain certificates of environmental services for their additional forests. These certificates can then be sold to landowners who are not in compliance, as a means of meeting their 25% obligation. In addition, ‘environmental service providers’ would benefit from tax reductions on their properties. Smallholders with less than 20 hectares, indigenous lands and protected areas can also apply for the certificates. This policy could serve as the basis for a REDD+ system in Paraguay, which could help provide a strengthened incentive system to keeping forests standing once the Zero Deforestation Law lifts.

4. CONTINUING CHALLENGES AND RISKS

A sleeping Social Pact

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Having achieved its purpose of supporting the Zero Deforestation Law, and with WWF's attention focused more at the municipal level, the national pact coalition has lost much of its momentum. Interviewees have described the pact as **“forgotten”, “paralysed”, “lacking leadership” and “sleeping”**. This has meant that the high expectations generated by the national pact at its outset have not all been met. One representative of the agricultural sector expressed his initial high hopes of the process **“to generate debate between producers, civil society and government on the topics of interest and to agree actions pro environment and production”**. He went on to express disillusionment at the initial momentum having died down.

One Social Pact interviewee said: **“I think things have not changed: the same conflicts, the same corruption, we hear some things from the field, about some workshops that WWF has been doing, but structurally there have been no big changes and there is a complete lack of dialogue”**. But the interviewee goes on to admit that they are not aware of the work of CFL in the field. A government official thinks that the debate that has been generated at the regional level hasn't happened at the national level. There's a need to improve information flow from the work at the municipal level to the national coalition members to ensure they stay abreast of how things are developing on the ground. Interviewees suggested that the Social Pact could enter a second phase, to generate the public discussion needed around payment for environmental services mechanisms.

Engaging the poorest and most marginalised

One criticism that's been levelled at the national Social Pact coalition is that it is not fully representative and has lacked the participation of the poorest and most vulnerable groups – such as indigenous people, smallholders and landless campesinos. These groups were included in initial discussions, but then decided to leave when WWF became part of the Round Table on Responsible Soy³, which they opposed. At least one CSO supporting them also did not sign, for the same reason.

In addition to not participating with the Social Pact, some indigenous leaders are currently opposing other initiatives such as REDD+ and have been closed to dialogue on such issues. Indigenous people are among the very poorest in Paraguay and they are able to have a stronger voice under the present government over issues that they feel may encroach on their rights. However, certain positions being promoted by indigenous leaders were seen by some interviewees to be opposed to the progress of initiatives aimed at protecting the environment. One pact member believes **“this is a big problem for the pact and requires further analysis”**. Two interviewees quoted examples where indigenous groups had expressed a view that, when their forest resources were gone, there would be many NGOs across the world that would provide the support they needed.

Because the forest law only applies to properties of more than 20ha, the CFL process has targeted medium to large landowners, to bring them into compliance with the law. There have been criticisms of unfair application of the law, because small producers with just over 20ha are the most affected by having to set aside 25% of their land. Small producers face particular challenges and generate low levels of income from their land. A local government employee expressed the need for better government support to these producers.

There have been benefits to some small landowners through the increased demand for tree saplings. The establishment of tree nurseries has been an integral part of the CFL strategy. We identified places and communities with whom it would be possible to work to increase the supply of native trees that could be used for reforestation purposes in the areas of the pilot project. We held eight training workshops in strategic sites within the project area, and logistical support was provided for nurseries to be established. Smallholders are being encouraged to establish tree nurseries as a way of diversifying and supplementing their livelihoods. For example, some of the financial resources being raised from the fines resulting from legal actions are being used to support tree nurseries being established in two communities (approximately 1,500 small producers).

Changing political context

The changes in government, at both the national and local level, and the fragile political context have raised a number of concerns from interviewees. For example, several expressed concern at the move to the far left by the current government, and the radicalisation of certain agendas. While the discourse has been pro-environment, some observed that action was lagging behind rhetoric. It was also suggested that there is a widening divide between the productive sector and government, especially within the environment ministry.



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Feedback on WWF's role and the value we add

Our ability to facilitate the pact and CFL process and bring together diverse stakeholders and promote multi-sectoral dialogue was endorsed. One mayor expressed his particular appreciation for our ability to broker local-to-national relationships.

Pro Cosara, a local NGO, said that "WWF has been the organisation that has assisted us most, providing support but also flexibility".

The productive sector interviewees see NGOs as having a central role in promoting this kind of environmental governance as they can raise awareness, motivate and strengthen local authorities – especially given the few resources that the government has for this kind of work in the rural areas. "WWF understood that producers had had a long time of tolerance [leniency] and were not the only ones responsible for the loss of forests".

A national government member felt that we've played a very important role in strengthening the capacities of the local authorities and installing at the local level the concept of conformance with forest law.

Our commitment and constancy in the process was also highly valued. Some interviewees warned of collapse without the constancy of the authorities and WWF in the CFL process.

According to some interviewees, current Parliamentarians are less aware of the Social Pact, and the initiative is not supported as high up in government as before – although there is increasing interest in other topics such as the negative effects of pesticide use. Civil society is felt not to be exerting same pressure as before, either.

However, positive examples of progress under the new government were also given. For example, one government interviewee felt that there had been positive progress especially in the Forestry Service, whose agenda has been broadened to include reforestation. It is also contracting new people, strengthening staff capacity, and taking on greater decision-making powers.

In November 2010 there were local elections and the political context has changed as a result. WWF has started advocacy work to inform the new mayors and municipal boards about CFL, REDD+ and other financial and legal mechanisms.

Sustainability of the Conformance with Forest Law programme

The programme is at a critical stage. Significant progress has been made in reducing deforestation, but much more needs to be done before we can exit from the programme.

For the programme to be sustainable in the long term, it requires:

- Sufficient institutional capacity and resources, including ongoing coordination among the different governmental agencies involved to continue to promote and ensure compliance with forest laws.
- Systematic follow-up and enforcement (at the municipal level), to ensure that voluntary compliance plans are met and that future infringements are detected and acted upon.
- Replication and, where necessary, adaptation of strategies used in the CFL programme to ensure there is compliance with the forest laws across all municipalities.

On the first of these, interviewees expressed uncertainty as to whether the process is sufficiently embedded in the three government agencies and the agendas of the diverse stakeholders (such as the productive sector and campesino groups). They were unsure whether the process would be sustained if WWF were to pull out. This suggests that a facilitator or champion is still required, until the process is self-sustaining.

Relating to both resources and follow-up, one interviewee said: "I am concerned about WWF's investment in this process coming to an end. While most may be taking actions to come into compliance with the law, if there is no monitoring, and activities are suspended, there may be a return to the old practices".

One interviewee also pointed to existing loopholes and weaknesses in the legislation, and the need for action to address these. For example, at the moment, larger properties could be subdivided in lots less than 20ha to get around the law, and deforest with impunity.

The potential replication to ensure conformance in other municipalities faces certain challenges. The CFL process relies on land registry data being in place, so that properties can be identified on satellite images. The absence of a land registry means that the authorities would have to work from the paper land titles that each family holds, making it a far more laborious process.

This is an area that requires thought and action to ensure that compliance with the law can be fairly applied across the country, rather than just for those areas that have land registries.

At the landscape level, one of the government interviewees pointed to the need for more integrated planning, within which the conformance with forest law work could sit: “There is a need for land-use planning at the watershed level, so that civil society can be clear about where it can and cannot develop its productive activities”.

Ensuring that deforestation remains low requires a long-term systemic change in peoples' knowledge and attitudes towards their forests, and the development and enforcement of a functional legal and support system. This is a long-term process of change. With limited resources, we've helped to kick-start this process, and we've demonstrated that change is possible. But, WWF-Paraguay faces a challenge – while its project funding from WWF-UK has finished, lessons from this case study show that it's too early to withdraw its support from the process without jeopardising long-term success. There are two important lessons for WWF and other international NGOs here:

1. That from our perspective, the success of our investment in the CFL programme should be framed not only in terms of the reduction in deforestation, but also in terms of the capacity of government departments and other institutions to continue to uphold the law into the future.
2. That 'donors' within the WWF network should try to support a programme until it reaches a certain level of maturity (i.e. key sustainability factors are in place), rather than against short-term funding cycles.

5. CONCLUSIONS

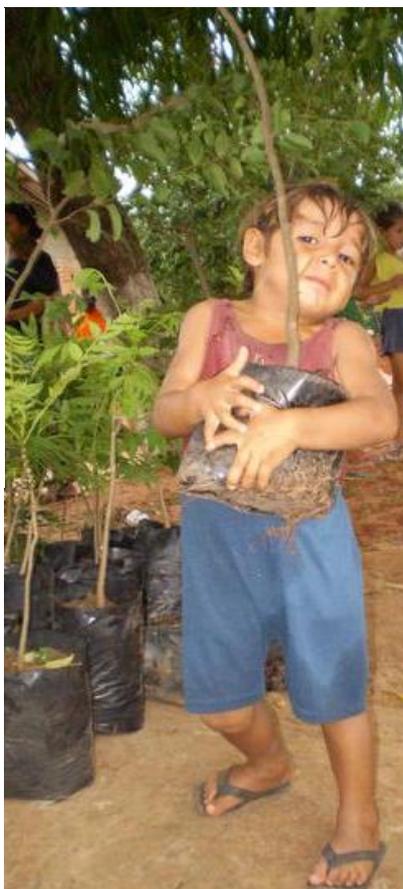
A drop of 90% in deforestation rates in the Paraguayan Atlantic forest in such a short period is a very significant outcome. The Social Pact served a powerful function at a particular point in time to generate the political awareness and support for the Zero Deforestation Law. While the national pact is currently dormant, it led to significant action at the municipality level, through the CFL programme – which showed how forest laws can be successfully applied. More needs to be done to inform national stakeholders of the progress at the local level, and to define whether the pact still has a role to play at the national level.

The diversity of opinions expressed in the interviews serves to highlight the challenges that these wide multi-sectoral coalition processes can have. There will always be a diversity of agendas and perceptions. But there will still be a need to try and create platforms for discussion between divergent interests, and to find areas of consensus and concerted action. This need will grow as natural resources become more stretched and conflicts with extractive and productive sectors rise.

In Paraguay, we've adopted a challenging but valuable role as a convener, trying to bring very opposed groups to the table to discuss and address contentious issues. Conservation problems are complex: there are multiple views and dissenting voices, many of which are bound in historical conflict and injustices. In this role, we need to walk an apolitical tightrope as much as possible, but we haven't been able to please everyone all the time, or to overcome long-running stand-offs. This experience has also shown how our engagement in other processes such as the Round Table on Sustainable Soy has put strain on relationships with some social and indigenous groups.



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The Conformance with Forest Law programme is perhaps more stick than carrot. But allowing a window for voluntary compliance and at the same time developing the payment for environmental services law provides a powerful combination of actions that aims to offer incentives for good forest stewardship. As a result, CFL has much relevance for REDD+ through its experience of reducing forest conversion, implementing a trading mechanism for those with 'forest credit', and more recently a payments for environmental services policy. This process has also helped to strengthen forest governance – also essential for REDD+.

We've helped to achieve important progress in tackling deforestation, but the future of Paraguay's last remnants of Atlantic forest is in many ways still uncertain. Land-use change in the Chaco, in the western part of the country, is still totally unregulated and deforestation rates in that area remain high. Powerful incentives to convert land for soy and cattle production remain. The Zero Deforestation Law covering the eastern part of the country will expire in 2013, and it remains to be seen if the measures put in place are durable and compelling enough to keep deforestation under control once the moratorium is lifted. With potential changes in the political context and market drivers, risks and uncertainties could arise.

We still have a critical role to play, up to 2013 and beyond, to ensure that Conformance with Forest Law continues to operate effectively and is replicated more widely after the Zero Deforestation Law is lifted. The interviews carried out as part of this case study point to the vital convening role we've been playing in changing land-use dynamics in the Atlantic forest. The ultimate aim must surely be a self-sustaining forest governance system that is not reliant on NGO support. But some interviewees have expressed doubts about whether the process could continue without our support at this point in time. WWF-Paraguay is committed to continuing, as long as it has the financial resources to do so.

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Annex 1: List of interviewees

WWF current and former staff	National and municipal government	Producers and producer groups	Partner NGOs
Lucy Aquino	Ricardo Merlo (Attorney)	Hector Cristaldo (Representative of a Producer Group 'CAP': Cordinadora Agricola del Paraguay)	Christine Hostetler (Pro Cosara)
Fatima Mereles	Rosalía Farina (Technician, Environmental prosecution)	Zozo Kuda (Producer)	
Calixto Saguier (Director of 'PTI': Parque Tecnológico de ITAIPU Hydro-electric Dam)	Ulises Lovera (SEAM)	Jason Bressan (Producer)	
Guillermo Terol (Representative of a producer group 'DAP': Desarrollo Agrícola del Paraguay)	Yoschío Kudo (Mayor of Pirapo)	Eduardo Schaffrat (Producer)	
	Fidel Ojeda (Mayor of Santa Rita)		
	Melanio Bogarin (Mayor)		

Annex 2 Social Pact Signatories

National organisations	International co operations	Communications organisations
Presidency of the Nation	United Nation Development Program (UNDP)	Center for the Regulations, Norms and Studies of Communication
Vice-presidency of the Nation	Food and Agriculture Organisation (FAO)	Chamber of Announcers Paraguay
Secretary of the Environment		Channel 8 VCV (Guaira)
Attorney General		
Ministry of Education		
Ministry of Health		
Ministry of Industry and Commerce		
National Police		
Supervision Pedagogical		
Credit for Agriculture (Crédito Agrícola de Habilitación)		
National Service for the Eradication of Paludism (Servicio Nacional de Erradicación del Paludism)		
National Institute for the Land and Rural Development (Instituto Nacional de Desarrollo Rural y de la Tierra – INDERT)		

Annex 2 (continued)

Regional governments	Producers, rural countrymen/women, indigenous groups	Non-governmental and educational organisations
Government of Department of Itapúa	Cooperative Colonias Unidas	Moisés Bertoni Foundation
Government of Department of Caazapá	Cooperative Caaguazú Poty	Acquaviva
Government of Department of Guaira	Cooperative Cooprofiol	Center for Development, Habitat and the Environment (Centro de Desarrollo, Hábitat y Medio Ambiente – CEDES/Habitat)
Government of Department of Caaguazú	Cooperative Perpetuo Socorro	Center for Studies and Economic and Social Development (Centro de Estudios y Desarrollo Económico y Social (CEPADES))
Board Directory of Departmental of Guaira	Cooperative Carlos Pfannel	Tierra Nuestra
Municipality of Hohenau	Cooperative Cosecha Feliz	Institute of Law and Environmental Economy (Instituto de Derecho y Economía Ambiental)
Municipality of Obligado	The Coordinator of Agriculture of Paraguay (CAP)	DesdelChaco
Municipality of Itapúa Poty	The Coordinator of Agriculture of Paraguay (CAP) of Department. of Caaguazu	The Nature Conservancy
Municipality of Pirapó	Jopoi Association	Pro Cordillera de San Rafael (Pro Cosara)
Municipality of Bella Vista	Agro Poty Association	ENLACE
Municipality of Alto Vera	Agro Arroz Association	Committee Man and the Biosphere Py (MAB Py)
Municipality of Caazapá	Association of Bee Producers	Guyra Paraguay Center for the Promotion and Capacity Building for Development (Centro de Fomento y Capacitación para el desarrollo –)
Municipality of Mbocajaty	Agropecuarian School	FUNDAPUEBLOS
Municipality of Villarica	Agronomic Institute Salesiano Carlos Pfannel	Natural Land Trust
Municipality of San José	Wood Producer: TARUMA Forest S.A.	WWF-Paraguay
Municipality of Dr Cirilo Báez	Paraguayan Petroleum (PETROPAR) National Organisation of Country people (ONAC)	
Municipality of Raul A Oviedo	Rural group call Asentamiento 9 de agosto	
Municipality of La Pastora	Indigenous Association OGUASU	
Municipality of José de Ocampos	Independent indigenous	
Board Directory of the Municipality of Alto Vera		
Board Directory of Municipality of Caazapá		
Board Directory of the Municipal of Coronel Oviedo		

Endnotes

¹ This basically set out a proposal that prohibited the transformation or conversion of forest areas in the Eastern region into areas of agricultural settlements, or for the production, transport and sale of timber, fuel wood, charcoal or any forest sub product coming from illegal clearance. In addition the granting of permissions, licences and authorisations that support the conversion of forest areas were also prohibited.

² REDD+ refers to policy approaches and positive incentives on issues relating to reducing emissions from deforestation and forest degradation in developing countries; and the role of conservation, sustainable management of forests and enhancement of forest carbon stocks in developing countries.

³ WWF is a founding member of the Round Table on Responsible Soy (RTRS), an international, multi-stakeholder initiative that promotes best practice in the production of soya, through the commitment of the main stakeholders of the soya value chain and through a global standard for certification of soya production. Some groups have questioned why RTRS accepts genetically-modified soya as being defined as "responsible". In application of the precautionary principle, WWF believes that GM crops should not be released into the wider environment until ecological and social interactions are fully researched and safeguards put in place, and we will continue to support a moratorium on the use and release of GMOs in crops until identified risks are acceptably low and safeguards put in place. However, to exclude GM soya, currently 77% of global soya production, from RTRS certification, would be to exclude a very large proportion of existing South American soya from this form of positive incentive to improve practices. It is important to point out, moreover, that RTRS also has a non-GM module, which makes it possible to identify soya that is compliant with RTRS practices and is also non-GM.

For more information

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