

ANNEX 9

NATIONAL FOREST STRATEGY FOR SUSTAINABLE GROWTH

SUMMARY DOCUMENT

REDD+ RESULTS-BASED PAYMENTS IN PARAGUAY FOR THE PERIOD 2015-2017

September 2019



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1. Introduction

The “**Estrategia Nacional de Bosques para el Crecimiento Sostenible – ENBCS** (National Forest Strategy for Sustainable Growth) is a guiding document, based on national and sectoral policies, for the reduction of greenhouse gas (GHG) emissions from land use change. The ENBCS is a key element in the implementation of Paraguay’s nationally determined contributions (NDCs) under the Paris Agreement.

The ENBCS is aligned to the National Development Plan 2030 (PND 2030) and coherent with the National Environmental Policy, the National Climate Change Policy, the National Climate Change Mitigation Plan, the National Forestry Policy, the Agricultural Strategic Framework and the National Energy Policy.

The Ministry of Environment and Sustainable Development (MADES, formerly Environmental Secretariat), the National Forestry Institute (INFONA) and the Federation for the Self-Determination of Indigenous People (FAPI) led the development of the ENBCS. Stakeholder from both the public and private sectors like NGOs and farmers’ organizations contributed to the process.

The vision of the ENBCS, which follows the one in the National Development Plan 2030, states:

“Paraguay becomes an environmentally and economically sustainable, competitive and socially inclusive country; where the ecosystems services provided by forest are recognized and valued in an integral way, considering their social, economic, cultural, and biological dimensions, and their role in mitigating and adapting to climate change”.

2. Drivers of deforestation and degradation in Paraguay

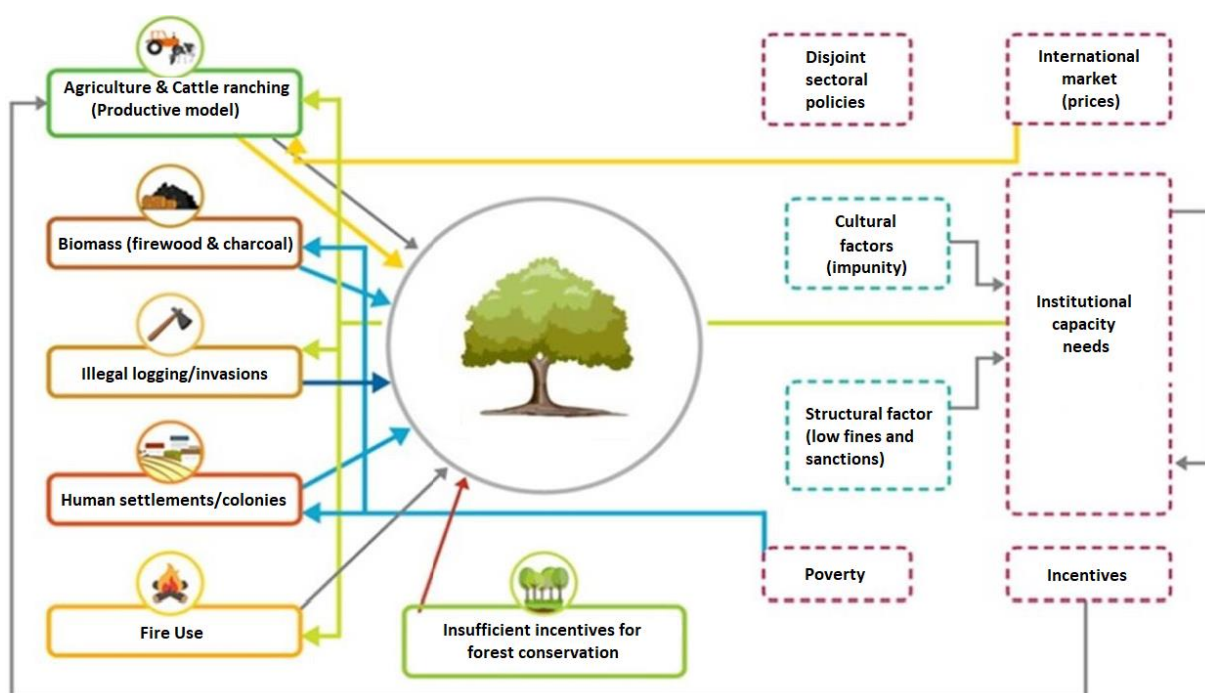
Paraguay has identified drivers of deforestation and forest degradation for the two Regions of the country (Eastern and Western Regions).

The main direct driver of deforestation and forest degradation in the Eastern Region is agricultural land expansion primarily for soy cultivation. In the Western Region (Gran Chaco), the main direct driver for deforestation is cattle ranching for beef production. Currently Paraguay has around 14,5 million heads with an estimated average annual growth of 5%. Paraguay has little impact on international prices of commodities for beef and soybeans.

Demand for firewood and charcoal for both industrial and domestic use is also an important driver (46% of the energy used in the country comes from trees’ biomass). The use of fire as an

agricultural practice has also become a major driver due to its capacity to spread beyond originally intended areas. To a lesser extent, illegal logging for high quality timber, new settlements and access to farming land for small rural farmers also play a role in deforestation. Finally, there are transversal factors that affect forest cover. These are insufficient incentives for forest conservation (Law 3001/06 on payment for ecosystem services is still insufficiently applied), uncoordinated sectoral policies, and deficiencies in law enforcement.

Figure 1 main drivers of deforestation and forest degradation in Paraguay.



Source: ENBCS, 2019.

3. Development of the ENBCS: a highly participatory process

Paraguay formally approved the “*Estrategia Nacional de Bosques para el Crecimiento Sostenible (ENBCS)*”. This strategy was the result of a participatory process involving 306 representatives of key stakeholders, among which 46% women, public and private sector, indigenous groups, farmer organizations, academia, finance sector and civil society.

The main sectoral strategic objectives are as follow:

- Promote competitive agricultural and livestock production through sustainable management of natural resources.
- Reduce forest loss and degradation by incorporating criteria and indicators of sustainable management practices.
- Enhance the sustainable use of forests by strengthening the natural and cultural heritage of indigenous communities.
- Promote territorial planning and land management at municipal level to determine land use in forest areas.
- Improve climate change mitigation actions planning for the LULUCF sector.

The ENBCS has a cross strategic objective focused on monitoring capacities and enforcement: “Strengthen institutional capacities to articulate and coordinate forest governance by developing environmental and forestry information systems for monitoring, reporting and verification according to international standards to guarantee national and international processes”.

The ENBCS includes a total of 41 actions distributed under six strategic measures (27 actions) and three cross-sector measures (14 actions). These lines of actions tackle not only direct drivers but also indirect drivers. Currently, Paraguay is developing the implementation plan for the ENBCS in a participatory and transparent process. Result-based payments will support its implementation.

Actions to tackle Direct Drivers

Agriculture. In the Eastern Region a key action is to extend the Zero Deforestation Law, which has been pivotal in preserving forests. The ENBCS addresses this by strengthening the capacities of INFONA and MADES. Also, making the system of Payment for Environmental Services fully operational is key to increase the value of standing forest.

Cattle ranching. This activity is the main driver in the Gran Chaco (Western Region). The ENBCS has as a key measure to improve sustainable production systems and adoption of best practices (farmers currently rely on land expansion to increase production). This line of action relies on strengthening agricultural extension services. This also requires access to knowledge exchange programs to identify farmers need for technology.

Biomass. The demand for biomass in the country has increased due to industrial development. There is a need for certified firewood and charcoal (large amounts still come from native forest in the Chaco or the Eastern Region). The ENBCS aims to put incentives in place to increase afforestation and reforestation programs and to enforce legal/sustainable sourcing of biomass by industries. This action requires working with the private sector in the agroindustry and the Ministry in charge of energy policies.

Illegal logging. Private landowners are required to maintain 25% legal forest reserve (forest law). However, most owners lack capacities to do forest management. The process to approve management plans have high transaction costs. The ENBCS addresses this issue by working directly with landowners including indigenous communities and small rural farmers. There is also attention at increasing the monitoring and enforcement capacities of INFONA and MADES. There is a need to work with the institutions responsible of the agrarian reform (INDERT) to help small rural farmers increase family income by incorporating forestry activities and secure land titles (legal access to land discourage farmers from moving to new areas).

Rural settlements. Small rural farmers are dependent on forest as a source of energy and occasional cash income; however, most farmers lack the capacities for the sustainable production of forest products. When new settlements are established forest products like timber are the only source of income in the short term. By working with the institutions in charge of the Agrarian Reform (INDERT) and the Ministry of Agriculture forestry activities can be promoted among rural farmers as way of diversifying income.

Fire. The use of fire is associated to traditional management of pastureland in some regions of the country. The ENBCS promotes alternative agricultural practices to prevent or mitigate the effects of forest fires. The strengthening the National System of Protected Areas includes

capacity building for rural firefighters. This also requires coordination with other stakeholders including police and military personnel.

Actions to tackle Indirect Drivers

Incentives for forest conservation. The ENBCS addresses this issue by promoting the full implementation of Law 3001/06, also known as **Environmental Services Law**. Increasing the incentives for forest conservation can reach private landowner that maintain forest cover additional to the 25% Legal reserve as well as indigenous communities and rural farmers with forest land. This action in combination support to agroforestry, silvopastures and forest management (including biological connectivity among areas) can result in the conservation of large tracks of contiguous forest. The role of financial systems is key to improve positive incentives for forest conservation and sustainable production systems, which is also included in the ENBCS.

Uncoordinated sectorial policies. This ENBCS addresses this driver through support to government institutions, including local authorities (Municipalities) involved in Land Use and Environmental planning activities. There is also need for an adjustment in the environmental and forestry laws as some overlaps have been identified in the roles and responsibilities of institutions.

Institutional capacities. It is key that national institutions significantly improve their capacity to monitor forestry activities and enforce existing laws. This also contemplates the participation of indigenous and rural communities in forest monitoring and protection. Strengthening institutional capacities requires investments in technical resources, infrastructure and mobility.

4. ENBCS Policies, Actions and Measures (PAMs)

The ENBCS includes a description of policies, measures and specific actions (PAMs). These resulted from a participatory process with a wide range of stakeholders through technical meetings, focal groups, and a national workshop.

The criteria below guided the identification of PAMs:

- Drivers of deforestation;
- Sinergy with ongoing initiatives;
- Legal framework, national policies and international commitments;
- Potential socio-economic and environmental co-benefits;
- Economical feasibility.

a. Strategic and cross-sectorial measures of the ENBCS

Table 1 below presents both strategic and cross sectorial measures that if properly supported and implemented should result in significantly lower deforestation rates. The measures below involve a wide range of actors and responsible parties in the fight against forest loss.

Table 1: Strategic and cross-sectorial measures in the ENBCS

Measure	Description	Scope
Strategy measures		
Legal framework to extend the prohibition of	This measure promotes the protection of forest remnants in the Eastern Region by prohibiting the	Eastern Region

transformation and conversion of forest areas to other land uses in the Eastern Region	activities of transformation and conversion of areas with forest cover until 2020. The law has been regularly extended since its approval.	
Sustainable production systems	This measure enhances the incorporation of sustainability principles in livestock and agricultural systems, through the provision of inputs and tools to the productive sector (technical assistance, success stories, technology transfer) to increase economic margins, enhance employment and income opportunities in rural areas.	National
Environmental services and valuation of natural capital.	This measure provides strong incentives for the protection of forest cover through the full implementation of the system of payments for environmental services (Law 3001/06 on Valuation and Payment for Environmental Services).	National
Promotion of afforestation and reforestation for energy purposes	The measure will increase supply and demand of certified biomass by the industrial sector in order to reduce the use of biomass from native forest.	National
Adopting policies promoting entrenchment (<i>arraigo</i>)	The measure promotes rural development and poverty reduction and indirectly reduce pressure on native forests through diversification of activities.	National
Sustainable forest management	The measure establishes the strategic bases for the preservation and conservation of forests, enhancing the role of local communities and indigenous peoples in that process.	
Cross-sectorial measures		
Sustainable financial systems	The measure strengthens the role of financial institutions as providers of financial products on sustainable management of forests and as multiplying agents for compliance with environmental regulations in their client portfolios.	National
Improvement of the legal framework and policy articulation	The measure supports the review of the legal framework and institutional competencies. The objective is better coordination of activities and complementary work between public sector actors, at national and local level, as well as with the private sector. This is understood as critical to improve environmental and forest governance.	National
Development of regulatory, control, monitoring and enforcement capabilities	The measure strengthens the capacity of the institutions responsible for environmental and forest governance. This area of support includes both technical capacities, equipment and infrastructure/mobility.	National

b. Actions for each strategic and cross-sectorial measure

A total of 27 actions have been defined under the six strategic measures and 14 actions for the three cross-sectorial measures to tackle the drivers of deforestation in Paraguay.

Strategic measures

1. Legal framework to extend the prohibition of transformation and conversion of forest areas to other land uses in the Eastern Region.

- 1.1. Promote interinstitutional coordination between MADES and INFONA.
- 1.2. Extend the law establishing the prohibition of activities of transformation and conversion of areas with forest area in the Eastern Region.
- 1.3. Generate public consultation spaces with key stakeholders.
- 2. Sustainable production systems
 - 2.1. Increase knowledge associated with best practices (intensification, technology transfer and capacities) generated in public and private research centers to producers.
 - 2.2. Strengthen existing platforms to identify producer's technical assistance needs for sustainable development and conservation of forested areas.
 - 2.3. Improve efficiency in the use of soils in production systems.
 - 2.4. Develop and incentivize production processes through the implementation of models like agroforestry, silvopastures, and native forest management.
 - 2.5. Promote actions for biological connectivity in the agricultural landscape.
- 3. Environmental services and valuation of natural capital.
 - 3.1. Identify potential areas for certification of environmental services associated with forests.
 - 3.2. Improving certification scheme for Environmental Services.
 - 3.3. Boosting environmental services' market.
 - 3.4. Support indigenous communities in the process of certification for environmental services.
 - 3.5. Prioritize payment for environmental services in indigenous communities.
 - 3.6. Further develop the legal framework under Law 3001/ 06 in its different modalities.
 - 3.7. Develop a legal framework that allows forest management in areas certified by environmental services.
 - 3.8. Increase the certification of Protected Areas under Law 3001/06.
- 4. Promotion of afforestation and reforestation for energy purposes
 - 4.1. Effectively implement Law 536/95 "Promoting afforestation and reforestation".
 - 4.2. Generate the appropriate conditions for the efficient use of certified biomass in the industrial sector, in line with Decree 4056 "To establish Certification, Control and Promotion Regimes for the Use of Bioenergy".
- 5. Adopting policies promoting entrenchment (*arraigo*)
 - 5.1. Improve the system for cadaster, legalization and unification of statistical data on lands distributed under the Agrarian Reform, for the conservation of forested areas and their sustainable management.
 - 5.2. Diversify income sources and sustainable production systems, including harnessing the multiple benefits of the forest.

5.3. Facilitate access by local communities and women's groups to formal credit systems for the adoption of better production technologies to contribute to emissions reduction.

6. Sustainable forest management

6.1. Develop strategies that allow the conservation of forest areas prioritized by their high conservation value.

6.2. Promote the integration and exchange of local ancestral knowledge to the development of their livelihoods and environment friendly production, protecting the role of women in all processes.

6.3. Promoting access to market for differentiated products from the forest.

6.4. Develop improvement programs for native species and forestry income crop programs.

6.5. Promote energy efficiency programs in local communities and indigenous peoples, in the domestic use of firewood from native forest, enhancing the role of women.

6.6. Strengthen the comprehensive management of the country's National System of Protected Wilderness Areas.

Cross-sectorial Measures

7. Sustainable financial systems

7.1. Develop appropriate financial products to promote the development of sustainable production systems.

7.2. Adapt and strengthen environmental regulations for their effective implementation both in terms of environmental and social risk management.

7.3. Develop platforms to verify compliance with environmental regulations, including websites of institutions responsible for the application of these regulations (MADES, INFONA, SENAVE, others).

8. Improvement of the legal framework and policy articulation

8.1. Define and disseminate the roles, competencies and responsibilities of each institution in forest and environmental governance.

8.2. Coordinate between central government institutions (horizontal coordination) procedures and interventions (individual and/or joint) for cases of non-compliance with regulations.

8.3. Decentralization of central government institutions.

8.4. Review and update of environmental and forestry regulations.

8.5. Promote the effective implementation of Free, Prior and Informed Consent for the development of activities that could affect the rights of indigenous peoples and local communities.

8.6. Promote the implementation of Land Use and Environmental Planning at the municipal level.

- 9. Development of regulatory, control, monitoring and enforcement capabilities**
- 9.1.** Strengthen satellite monitoring systems, control and penalty, providing the necessary resources to operate the system.
 - 9.2.** Develop strategies and tools to support transparency (in compliance with environmental regulations) and traceability of meat and/or supply chains.
 - 9.3.** Strengthen mapping and monitoring systems for areas certified under the Environmental Services scheme.
 - 9.4.** To promote the role of women in forest monitoring and protection processes.
 - 9.5.** Involve indigenous and rural communities in forest monitoring and protection.