

# IMPACTS OF PARAGUAY'S ZERO-DEFORESTATION LAW

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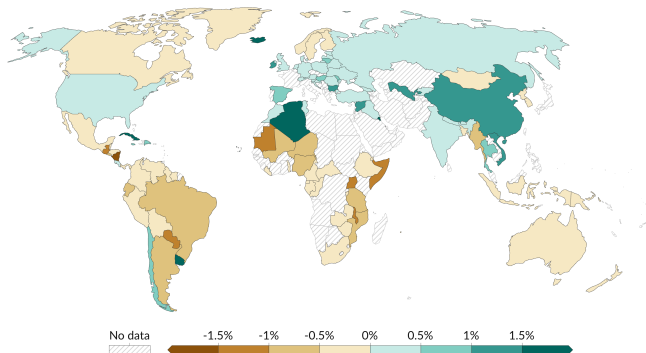
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## Annual change in forest area as a share of forest area, 2000

Annual net change in forest area measures forest expansion (the sum of afforestation and natural expansion) minus deforestation

Our World  
in Data



Data source: UN Food and Agriculture Organization (FAO), Forest Resources Assessment.

Note: The UN FAO publish forest data as the annual average on 10- or 5-year timescales. The following year allocation applies: "1990" is the annual average from 1990 to 2000; "2000" for 2000 to 2010; "2010" for 2010 to 2015; and "2015" for 2015 to 2020.

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  - Politically and operationally hard to enforce
  - Economically inefficient: costs > benefits

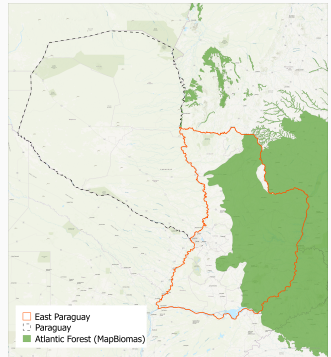
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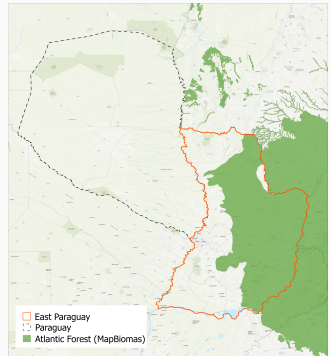
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- Valid in Eastern Paraguay - nearly half of the country's territory



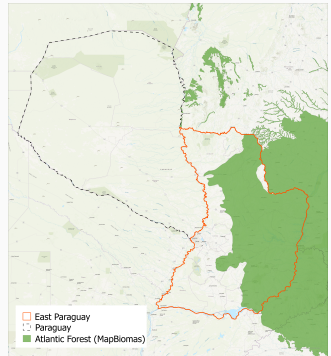
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- Our research question: **What was the policy impact on deforestation?**



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## Deforestation rates slashed in Paraguay

Posted on August 30, 2016

Thanks to stringent national legislation prohibiting the transformation and conversion of forested areas, massive deforestation rates have been curbed in Paraguay's Upper Parana Atlantic Forest.

Asunción, Paraguay — Thanks to stringent national legislation prohibiting the transformation and conversion of forested areas in eastern Paraguay, massive deforestation rates have been curbed.

Before Paraguay's Zero Deforestation Law came into force in December 2004, the South American nation had the second highest deforestation rate in the world. But through satellite monitoring, WWF has verified that deforestation in the Upper Parana Atlantic Forest has decreased significantly from between 88,000-170,000ha annually before implementation of the law, to a current level of approximately 16,700ha annually — a reduction of more than 80 per cent.



The Atlantic Forest has extremely high biodiversity, but is also one of the most endangered rainforests on earth.  
© WWF / Edward Parker

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Según los datos recabados por imágenes de satélite, la ONG internacional contabilizó que solo en el último mes una 700 hectáreas fueron destruidas en el departamento de Alto Paraná, cerca de la ciudad de Santa Rosa del Escural.

En la región oriental, que ocupa casi la mitad del país, está prohibida desde 2014 cualquier actividad de transformación y conversión de superficies boscosas, por lo que WWF exige a las autoridades judiciales que actúen y sancionen a los responsables.

"Este caso es en la propiedad de una empresa brasileña que se llama Forlim y se dedica al cultivo de soja", dijo hoy a EFE Aldo Luz Aquino, director de la oficina de WWF en Paraguay.

La organización se quejó de que pese a las denuncias de los campesinos ante la Fiscalía y a los apuros propios, judicialmente, "en la mayoría de los casos denunciados" los responsables "han quedado totalmente impunes a con medidas restrictivas o multas insignificantes, que en ningún caso compensan la gran deforestación que está ocurriendo" en el país.

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Printed on October, 05 2016

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Según los datos recabados por imágenes de satélite, la WWF internacional comprobó que solo en el último año unos 200 hectáreas fueron destruidas en el departamento de Alto Paraná, cerca de la ciudad de Santa Rosa del Surco.

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WWF-Paraguay  
@WWFPy

El 14 de diciembre, fenece la Ley 6.256, que prohíbe las actividades de transformación y conversión de superficies con cobertura de bosques en la Reg. Oriental llamada "Ley de Deforestación Cero". Exigimos la extensión por 10 años más para proteger lo último que queda de bosques.



11:47 PM - Dec 2, 2020

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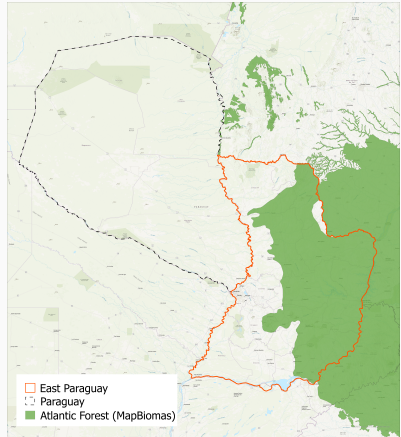
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- Impacts of zero-deforestation mandates on private lands: Alston and Mueller (2007), Fagan et al. (2013), Simmons et al. (2018)

## POLICY BACKGROUND

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# PARAGUAY WAS A DEFORESTATION HOTSPOT IN THE 2000'S

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## PARAGUAY WAS A DEFORESTATION HOTSPOT IN THE 2000'S

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  - Huang et al. (2009): forest cover down from 73.4% in 1970s to 24.9% in the 2000s
- Hansen et al. (2008): Paraguay had the highest deforestation rate among the humid tropics between 2000-2005





- Started as a “Social pact for Paraguay’s Upper Paraná Atlantic Forest” between WWF and the country’s vice president, Luis Castiglione
- Became a Law, approved in late 2004 by the Paraguayan congress



Source: ABC, September 2004

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- Became a Law, approved in late 2004 by the Paraguayan congress
- Goal of protecting the remaining areas of the Atlantic forest



Source: ABC, September 2004





# EMPIRICAL STRATEGY

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ZDL might cause deforestation  
spillovers to Western Paraguay



Figure 1: Atlantic forest ecoregion

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SUTVA Violation

Not a valid comparison unit  
in a DID setting

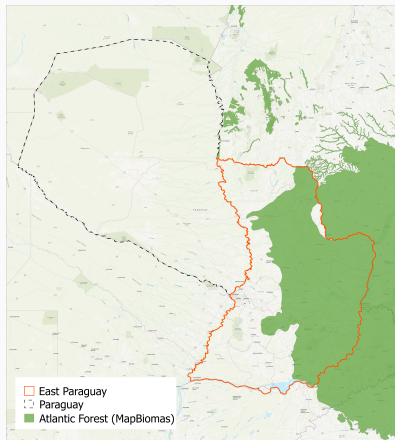


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Figure 2: Selected regions of South America

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- We construct a policy counterfactual → **Eastern Paraguay in the absence of the policy**
- We use 916 sub-national regions of South America in our “donor pool”



**Figure 2:** Selected regions of South America

- In a DID setting, where  $\tau$  is the effect of treatment exposure:

$$Y_{it} = \mu + \alpha_i + \beta_t + W_{it}\tau + \epsilon_{it}$$



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- In the synthetic difference-in-differences setting the problem becomes:

$$\left( \hat{\tau}^{\text{sdid}}, \hat{\mu}, \hat{\alpha}, \hat{\beta} \right) = \arg \min_{\tau, \mu, \alpha, \beta} \left\{ \sum_{i=1}^N \sum_{t=1}^T (Y_{it} - \mu - \alpha_i - \beta_t - W_{it}\tau)^2 \hat{\omega}_i^{\text{sdid}} \hat{\lambda}_t^{\text{sdid}} \right\}$$

where  $\hat{\omega}_i^{\text{sdid}}$  and  $\hat{\lambda}_t^{\text{sdid}}$  are estimated unit and time weights

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$$\sum_{i=1}^{N_{CO}} \hat{\omega}_i^{\text{sdid}} Y_{it} \approx N_{tr}^{-1} \sum_{i=N_{CO}+1}^N Y_{it} \text{ for all } t = 1, \dots, T_{pre} \text{ and } N = N_{CO} + N_{tr} \quad (1)$$

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- $\hat{\lambda}_t^{\text{sdid}}$  are introduced to balance pre-treatment periods with post-treatment periods

- In our setting:
  - Estimate  $\hat{\omega}_i^{\text{sdid}}$  and  $\hat{\lambda}_t^{\text{sdid}}$
  - Use the weights in the "weighted" DID estimation:

$$Y_{it} = \mu + \alpha_i + \beta_t + W_{it}\tau + \epsilon_{it}$$

- $Y_{it}$ : deforestation rate in unit  $i$  in time  $t$
- $N_{tr} = 13$  - Paraguay's departments within Eastern Paraguay
- $N_{co} = 916$  - South American departments
- $W_{it} = 1$  if  $i$  is a region within Eastern Paraguay post-2004
- $t = 1986, \dots, 2020$
- Exclude Western Paraguay and Brazil from our main sample

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- Deforestation rates in non-treated areas are used to construct the policy counterfactual



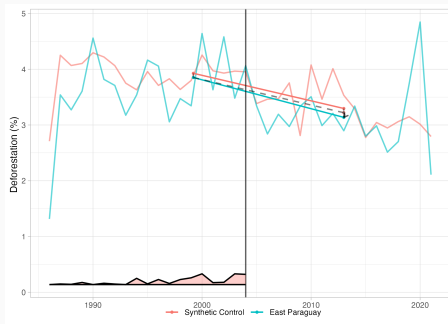
## RESULTS

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# MAIN RESULTS

**Table 1:** Estimate of the average effect

	SDID
Estimate	-0.083
Standard error	(0.376)
FE: region and year	Yes
Regions	929
Observations	33,444



**Figure 3:** Deforestation trajectory - Eastern Paraguay and counterfactual

Our results are robust to multiple specifications:

- Variations in the donor pool: excluding neighboring countries from sample [link](#)
- Variations in the pre and post-treatment period [link](#)
- Variations in the deforestation outcome variable [link](#)
- Analysis considering forest cover outside protected areas [link](#)

## DISCUSSION

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- We raise three contributing factors potentially driving the absence of policy impact:

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  - Despite the existence of 17 regional offices of the institution in the Eastern area, there was a lack of directives for conducting in-loco monitoring until 2020
  - WWF contributed with monitoring within the Atlantic forest area until 2014
  - Even with evidence of deforestation of large areas, very few cases were prosecuted or resulted in insignificant financial punishment (EFEverde, 2014)

- Deficient legal prosecution and punishment

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  - Fines between 7,000 - 28,000 US dollars regardless of the deforested area
  - Aguayo et al. (2016) highlights the weak legal apparatus to prosecute environmental crimes in Paraguay
  - Aguayo et al. (2016) also demonstrates a lack of recognition of the ZDL by the legal system when analyzing a sample of court cases

- Conflicts with agrarian reform policy

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- **Conflicts with agrarian reform policy**
  - INDERT (Instituto Nacional de Desarrollo Rural y de la Tierra) carries out the objective of promoting agrarian land reform in Paraguay
  - According to public data from INDERT, between 2004 and 2020, Paraguay titled 17,127 land plots in Eastern Paraguay, covering an area of roughly **172 thousand hectares**

- We analyze land-use change within INDERT plots using our remotely sensed data created to map smallholder agriculture

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- We use the 2004 forest cover map by INFONA as our baseline for detecting forest-cover change post-policy

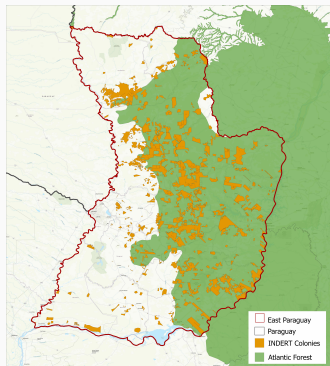


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- Our data shows that Eastern Paraguay lost roughly **1 million hectares of forest between 2004 and 2022** [Detailed breakdown](#)
- We find that **at least 20% of the total forest loss in the 2004-2022 period happened within INDERT colonies**

**Table 2:** 2022 land cover within INDERT plots

Category	Area (hec)	Share (%)
Grassland	64,167.1	16.6
Smallholder mix	41,358.1	10.7
Soybeans	24,785.4	6.4
Crop (non-soy)	9,326.5	2.4
Others	60,804	15.8
Forest	185,853.9	48.1
<b>Total</b>	<b>386,297.0</b>	<b>100.0</b>



## FINAL REMARKS

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  - INFONA has been implementing a near-real-time deforestation alerts system since 2020
  - Agency has established new guidelines for deforestation monitoring at a regional office level
- Issues with the legal system and agrarian reform still potentially persist
- **Is zero-deforestation the optimal policy?**
  - For example, there are potential social benefits associated with agrarian reform policy

# Thank you!

Contact me at [acostolapede@ucsb.edu](mailto:acostolapede@ucsb.edu)

Figure 4: Variation in donor pool sample

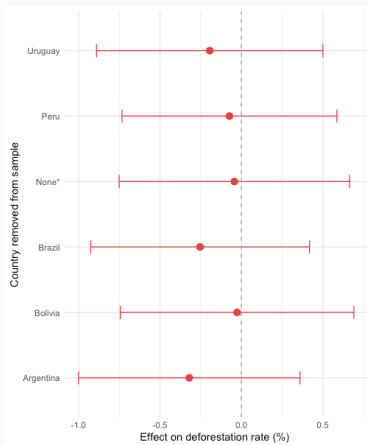
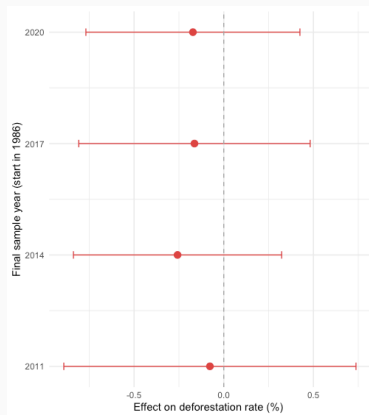
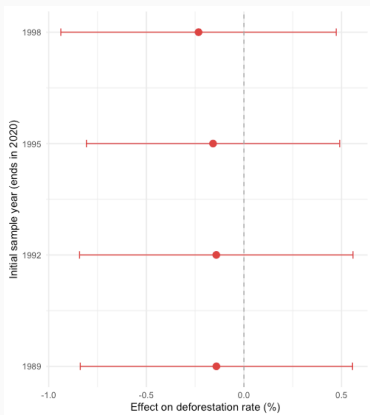


Figure 5: Variation in pre and post-intervention window



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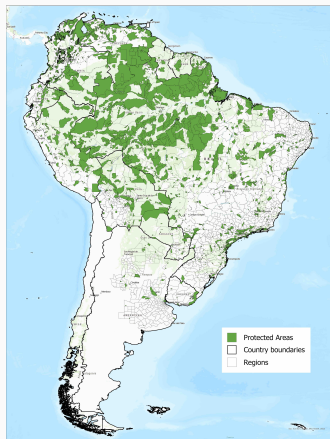
**Table 3:** Estimate for the average effect

	IHP(def)	log(def)	Deforestation - Alternative
	SDID	SDID	SDID
Estimate	-0.104	-0.119	0.478
Standard error	(0.108)	(0.111)	(0.424)
FE: region and year	Yes	Yes	Yes
Regions	929	929	929
Observations	33,444	33,444	33,444

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**Table 4:** Estimates for the average effect: 1986-2015

	SDID
Estimate	-0.159
Standard error	(0.346)
FE: region and year	Yes
Regions	929
Observations	30,814



**Figure 6:** Protected Areas within the sample regions

**Table 5: 2022 Land Cover**

Category	East (ha)	Share (%)	Atlantic Biome (ha)	Share (%)	ITs and PAs (ha)	Share (%)
Grassland	336,065	11	200,938	9	62,358	12
Smallholder mix	103,621	3	85,665	4	15,590	3
Soybeans	159,088	5	153,478	7	12,899	2
Crop (non-soy)	33,241	1	29,052	1	3,358	1
Others	334,301	11	252 804	12	65007	12
Forest	2,096,623	68	1,409,917	66	369,045	70
Total	3,062,939	100	2,131,853	100	528,257	100

Note: Change relative to INFONA's 2004 forest cover baseline using our remotely sensed data.

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