

## 1.2 Summary of the Action

Despite more than ten years of sustained economic growth (average of 4.4%), Paraguay still faces a number of economic and social challenges, which have been further exacerbated by the COVID-19 pandemic. The level of inequality remains amongst the highest on the continent, while informality and poor diversification of the economy hamper sustainable and inclusive development.

The Paraguayan economy has been based on extensive use of its abundant natural resources, especially land for agri-business and livestock and water for hydroelectric production (which makes up to almost 100% of the energy mix). This makes Paraguay very vulnerable to climate change. The ND-GAIN index of climate vulnerability ranks Paraguay 71<sup>st</sup> out of 182 countries in its ranking of the least to most vulnerable countries.<sup>2</sup> Diversification and sustainable and inclusive use of these resources are key to reduce vulnerability and make the country more resilient.

The use of land and water for agricultural and livestock development increased pressure on the environment and on communities. Paraguay has one of the highest rates of forest loss in Latin America<sup>3</sup>. Forest ecosystems are under increasing pressure also due to forest fires, lack of conservation management capacities, increasing large-scale illegal plantations (mainly marijuana, even within protected areas), and illegal extraction of wood/coal for energy in off-grid communities. Fires are primarily ignited by people, through land-use change which is projected to increase (for increased food production) and these expanding frontiers will increase forest fragmentation and ignitions.

The limited capacity and fragmentation of government institutions, and the poor dialogue with businesses, civil society and local communities in rural and indigenous areas, as well as the limited use of existing incentives to conserve forests and promote sustainable management practices aggravate these challenges. Any attempt to develop a successful ecosystem restoration programme must involve all relevant stakeholders, both public and private, and involve local communities.

This Action aims to preserve and restore biodiversity by fighting against deforestation and promoting sustainable forest management in three selected areas. It will focus on the following intervention areas: (i) improvement of preparedness, prevention and capacities to reduce the incidence and extent of extreme wild forest fires. (ii) Strengthening of management and conservation of forests and other key ecosystems in three selected protected areas. (iii) Promote sustainable forestry, livestock and agriculture practices, and respective value chains in buffer zones/influence areas around the three selected areas. This Action reflects the main EU policy priorities embedded in the European Green Deal<sup>4</sup> and the Biodiversity Strategy for 2030<sup>5</sup>. It is in line with the Multiannual Indicative Programme 2021-2027 for the Republic of Paraguay<sup>6</sup>, and the Team Europe Initiative on “Green Alliance for Paraguay” consisting of the following members: Spain, France, Italy, Germany. It will support Paraguay in implementing its commitments under the Paris Agreement, including its National Climate Adaptation Plan and Nationally Determined Contributions submitted in 2021.<sup>7</sup>

The Action will follow an integrated sustainable landscape approach for conservation, where complementary interventions will be implemented in the three selected areas, composed by both core/protected areas, and surrounding buffer zones (both public and private). This is complemented and supported by interventions at national level to prevent/fight against forest fires, and to strengthen the mandated institutions. The intervention logic is focused on incentives rather than punishment. Landowners and private companies,

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<sup>2</sup> <https://gain.nd.edu/our-work/country-index/rankings/>

<sup>3</sup> <https://dicf.unepgrid.ch/paraguay/forest>

<sup>4</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions The European Green Deal <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1576150542719&uri=COM%3A2019%3A640%3AFIN>

<sup>5</sup> Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions EU Biodiversity Strategy for 2030 Bringing nature back into our lives <https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1590574123338&uri=CELEX:52020DC0380>

<sup>6</sup> [https://international-partnerships.ec.europa.eu/system/files/2022-01/mip-2021-c2021-8988-paraguay-annex\\_en.pdf](https://international-partnerships.ec.europa.eu/system/files/2022-01/mip-2021-c2021-8988-paraguay-annex_en.pdf)

<sup>7</sup> [https://unfccc.int/sites/default/files/NDC/2022-06/Actualizaci%C3%B3n-NDC%20VF%20PAG.%20WEB\\_MADES%20Mayo%202022.pdf](https://unfccc.int/sites/default/files/NDC/2022-06/Actualizaci%C3%B3n-NDC%20VF%20PAG.%20WEB_MADES%20Mayo%202022.pdf)