There is a steady increase in forest plantations doubling its share from 0.33% to 0.65% in only 6 years (FAO, 2019).

Since 2015, GDP has declined 3% due to the fall of soybean and beef export prices.

Wood prices have increased 2% in the same period, highlighting the business case for combined production systems.

Paraguay has large areas under extensive land use suitable for sustainable intensification with combined systems such as silvopastoral production.

Wood and beef production on the same land brings economic, environmental and social benefits and is a promising FLR business model.
Drivers for investing in Forest Landscape Restoration (FLR)

Soy and beef account for about two-thirds of the agriculture sector’s gross product and more than two-thirds of the foreign exchange income:

- In the past two decades, the area dedicated to soy has tripled, growing at an average rate of 6% per year.
- Between 1991 and 2008, producers with establishments larger than 1,000 ha have increased from 26 to 482.
- Projections (ERECC, Paraguay, CEPAL, 2014) suggest an important increment of soy production in the first years followed by a considerable reduction of crop yield, due to climate change risk.
- Paraguay is experiencing one of the highest deforestation rates in Latin America, with 1.5% loss of forest area per year since 2000 with cattle ranching as one of the causes.
- Commodities demand paired with large areas of land available at low cost in the country could generate multiple income streams through sustainable resources management and FLR investments.

Opportunities and challenges for upscaling private sector FLR

**Attractive business environment**

- Paraguay is ranked 113/190 in the ease of doing business index for 2019.
- The ease of doing business score is 59.40/100 compared to 58.97 from the regional average.
- The credit growth in Paraguay accelerated to 12% - from 6% in 2017 (constant exchange rate basis).
- USD 40 million afforestation fund was set-up and financing available through commercial banks.

**Diversified production**

- The diversification of production systems supporting wood supply chains based on diversification of production systems based on beef production and plantations.
- In 2004 forest conversion in Eastern Paraguay was banned by law, marking the cut-off date for illegal deforestation monitoring.
- This will contribute to the global Bonn Challenge to bring 350 million hectares of deforested and degraded land into restoration by 2030 (Paraguay has no national target yet).

**Challenges**

- The high prices of other commodities in the short term could be a significant disincentive for forest restoration.
- Paraguay’s Nationally Determined Contribution (NDC) sets ambitious climate targets relying on reforestation.
- Land use policies to encourage Forest Landscape Restoration are currently not in place.

**The private sector in FLR**

Private sector credit to GDP increased from 13% in 2003 to 40% in 2017 and now is higher than the regional average.

Currently, foreign direct investment (mainly in the agribusiness sector) is the largest source of liabilities of the private sector, at around 15% of GDP.

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