GOVERNANCE OF CARBON MARKETS IN PARAGUAY: AN INSTITUTIONAL AND CULTURAL ANALYSIS

Carmen María Araceli Monges[1]*, Michael Handke[2]
[1] Heidelberg University - Heidelberg Center for Latin America (HCLA), Master in Governance of Risk and Resources.
[2] Heidelberg University - Institute of Geography, Department of Economic and Social Geography, Germany.
carmen.monges@stud.uni-heidelberg.de | handke@uni-heidelberg.de

UNIVERSITÄT HEIDELBERG
ZUKUNFT SEIT 1386

INTRODUCTION

Carbon markets are promoted to internalize negative externalities by creating incentives for emission reductions (Tietenberg, 2006).

Yet, their legitimacy is contested: they are cultural and political institutions shaped by values and power relations (Knox-Hayes, 2010; 2016).

They operate in a hybrid, polycentric system, distributing authority among states, private actors, and transnational initiatives (Hickmann, 2016).

In Latin America, experiences combine investment opportunities with conflicts over safeguards, participation, and rights (Corbera et al., 2011; Cubas-Báez et al., 2025).

Paraguay recently created its first legal framework with Law 7190/2023 and Decree 3369/2025, positioning itself as an emerging player in international carbon markets.

RESEARCH QUESTION

How do institutional and cultural factors shape actors' perceptions and participation in Paraguay's carbon markets?

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THEORETICAL FRAMEWORK

Institutions (North, 1990)

Institutions are the formal and informal rules that structure interaction. They only become effective when rules are both enforced and socially legitimized.

Governance (Glückler & Lenz, 2016; Glückler, Rehner & Handke, 2019)

Refers to the coordination of collective action under diverse interests and resources. It goes beyond regulation and requires stable interaction patterns sustained by trust and legitimacy.

Market cultures (Knox-Hayes, 2010, 2016)

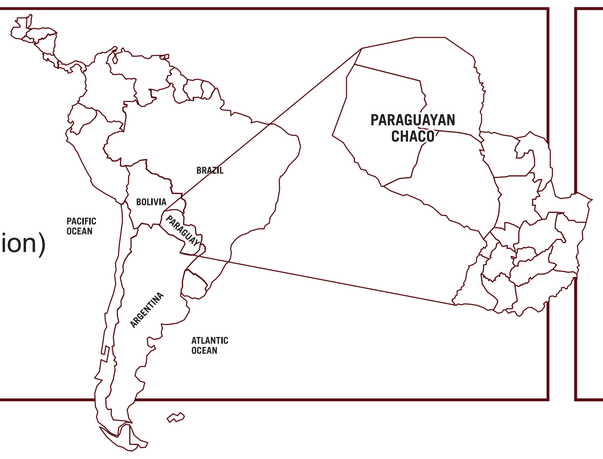
Highlight that carbon markets are cultural and political institutions. They construct meanings, values, and hierarchies of legitimacy, and through a neo-modern logic they compress space and time by transforming local ecological processes into tradable credits.



METHODOLOGY

CASE STUDY RESEARCH DESING

(National + Chaco region)



Semi-structured expert interviews:
NGOs, private sector, government, civil society, indigenous representative.

Participatory workshop
Asunción, May 2025 with 30+ stakeholders.





ANALYSIS

Actor-perception matrix (views on carbon markets).

Participation mapping (how organizations are involved).



Figure 1. Collective representation through the Rich Picture exercise in the participatory workshop on the desired future of carbon markets in Paraguay.

PRELIMINARY RESULTS

Institutions

The new legal framework (Law N° 7190/2023) has created opportunities to attract investors.

Weak enforcement and institutional fragmentation could undermine effectiveness.

Regulation remains incipient and is still developing.

Market cultures

- Trust gaps between local communities and private companies.
- Carbon perceived as abstract commodity vs. territorial realities (land tenure, biodiversity).
- Values: economic opportunity vs. ecological justice.

Private sector
Credibility, transparency, investment security.

Government
Legal frameworks, international positioning.

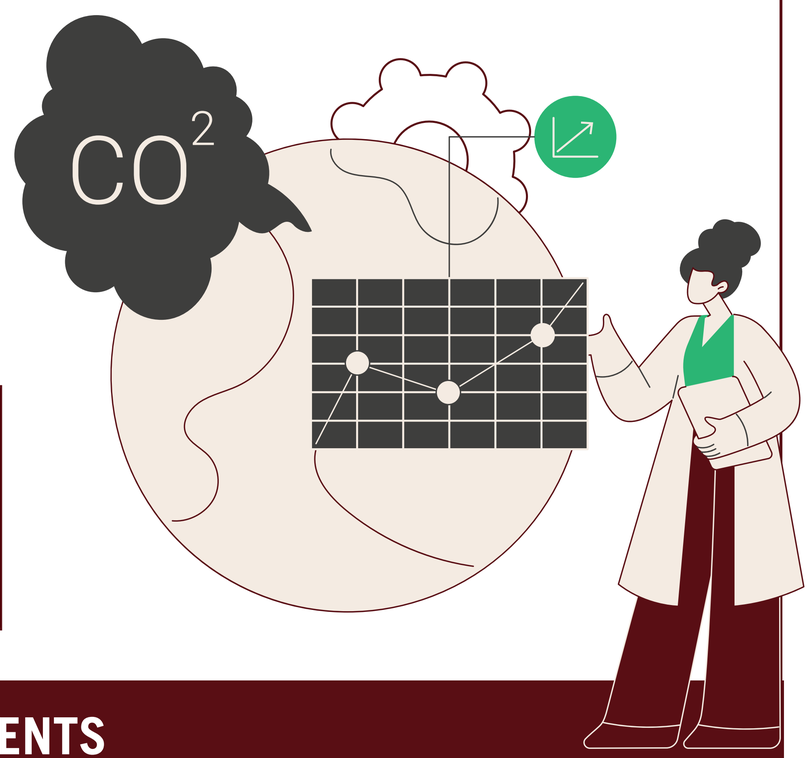
NGOs/academia
Safeguards, biodiversity, participation.

Communities
Land rights, benefit-sharing, long-term trust.

Emerging finding:
Results suggest a mismatch between the abstract temporality of global carbon markets and the territorial demands for justice, participation, and contextualization in Paraguay.

DISCUSSION

- Organizations set rules, but without enforcement and legitimacy, governance remains fragile.
- North highlights rule-based dynamics, while Knox-Hayes shows that legitimacy depends on cultural values and trust.
- Paraguay illustrates how neo-modern market logics (abstract, financialized) clash with territorial socio-ecological realities (rights, biodiversity, participation).
- This tension questions not only market effectiveness but also its long-term sustainability.



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Collaborators (WWF-Paraguay and Susland Research Group, ZALF):
Patricia Roche[1], Adriana Martin[2,3], Michelle Bonatti[2,4], Janika Hämmerle[2,4], Sergio Bolivar[2,4], Stefan Sieber[2,4], Carla Baldivieso[2]

[1] WWF-Paraguay, Paraguay
[2] Leibniz Centre for Agricultural Landscape Research (ZALF), Germany
[3] Freie Universität Berlin, Germany
[4] Humboldt University of Berlin, Germany

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