

Land Economics

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Land Economics **November 1, 2012** vol. 88 no. 4 **613–638****Forest Conservation and Slippage:
Evidence from Mexico's National
Payments for Ecosystem Services
Program****Jennifer M. Alix-Garcia, Elizabeth N. Shapiro, and
Katharine R. E. Sims****Abstract**

We investigate a Mexican federal program that compensates landowners for forest protection. We use matched controls from the program applicant pool to establish counterfactual deforestation rates. Deforestation was reduced by 50% in enrolled parcels, but expected average clearing rates without the program were low (0.8% per year), suggesting modest total avoided deforestation benefits. We test for two types of slippage: increased deforestation on other property belonging to program recipients and increased deforestation within markets where there are high levels of program participation. We find evidence of both, with substitution impacts reducing program effectiveness in common properties by about 4% on average. (*JEL O13, Q24*)

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