



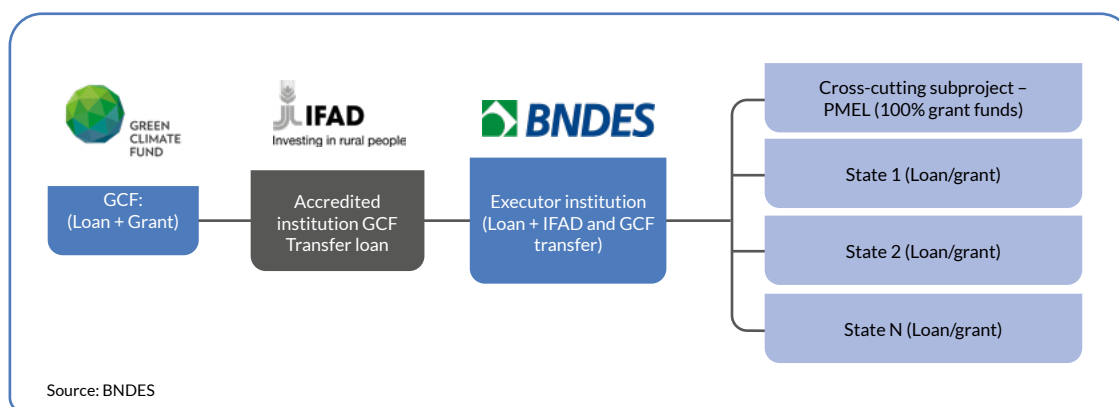
Financing for rural projects: successful experiences of public development banks

Diverse financing initiatives and programs designed to support rural communities and vulnerable segments are implemented in Latin America and the Caribbeans boosted by development banks.

This article offers a detailed account of several different financing initiatives and programs designed to support rural communities and vulnerable segments in Paraguay and Brazil that were presented in the workshop «Financing for rural transformation: successful public development banking experiences», organized by BDN, BNDES, IFAD and ALIDE in the framework of the ALIDE General Assembly held last May in Fortaleza (Brazil). The projects included: Sertão Vivo (the Living Hinterland), a collaboration between Banco Nacional de Desenvolvimento Econômico e

Social (BNDES) and the International Fund for Agricultural Development (IFAD) to promote climate resilience in northeastern Brazil, and the Programa Agroamigo (Agricultural Friend Program) of Banco do Nordeste de Brasil (BNB), targeting family farmers in Brazil. Also mentioned were the credit lines of Paraguay's Banco Nacional de Fomento (BNF), like «Kuña Katupyry» and «Ñande Chokokue Peguara»¹, which aim to strengthen the economic situation of women entrepreneurs and of small rural producers, respectively.

Image n.º 1
PROJECT FUNDS STRUCTURE



SERTÃO VIVO: BNDES INITIATIVE TO PROMOTE CLIMATE RESILIENCE IN NORTHEASTERN RURAL COMMUNITIES

The project is a collaborative effort between BNDES and the UN's IFAD (image n.º 1), targeting initiatives in the semi-arid northeastern region. A total of R\$299.1 million (US\$61.7 million) were earmarked in Pernambuco to provide assistance to roughly 75,000 families of small farmers, benefiting approximately 300,000 people in 55 municipalities.

The goals of this initiative are:

- Increased resilience to climate change of rural communities in the semi-arid northeastern region.
- Adoption of water catchment, storage and reutilization technology.
- Diversification of agricultural production, with an increase in productivity and biomass restoration.
- Greater drought resistance capacity.
- Reduction of greenhouse gas emissions.

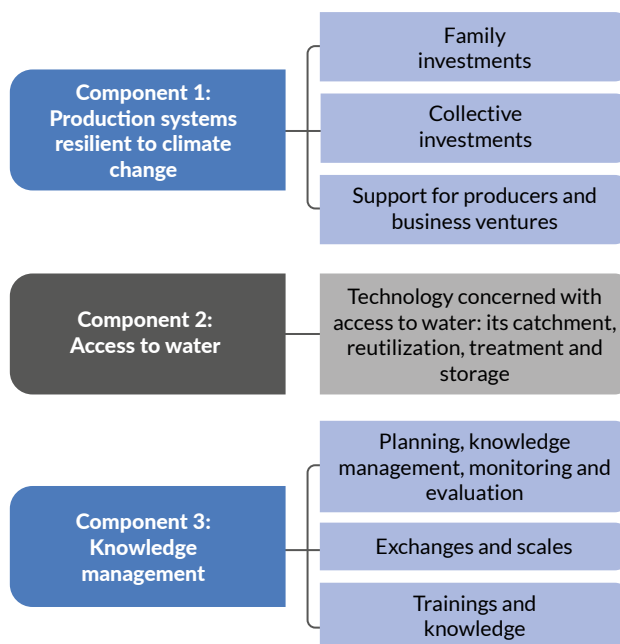
Some aspects of the program that can be emphasized are:

- Structuring from a social and environmental perspective, with a model that can be replicated in other arid regions of the world.
- Emblematic and innovative operation to fight the effects of climate change.
- First BNDES operation to be conducted jointly with IFAD and the Green Climate Fund (GCF) and IFAD's first operation with a development bank.

- In implementing the project, there is a need to adapt policies, documents and operational procedures for direct financing.
- **Operational challenge:** This is a complex project that combines IFAD procedures and manuals with a BNDES governance structure and regulations.
- **Implementation plan:** given its complexity, it was only approved after IFAD's formal negotiation with the Brazilian government.

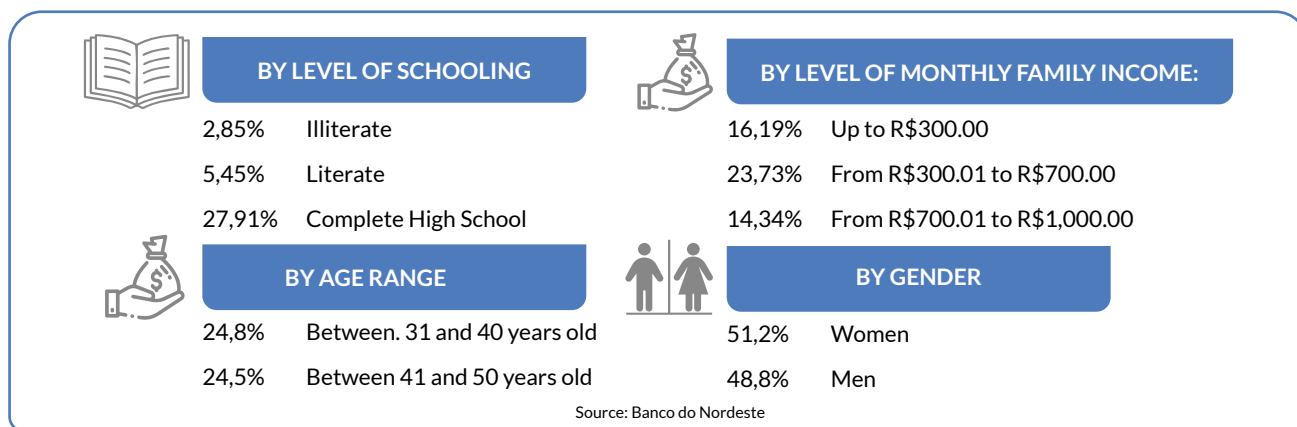
The program focuses on three components: 1) Production systems resilient to climate change, 2) Access to water and 3) Knowledge management (image n.º 2).

Image n.º 2
PROJECT COMPONENTS



Source: BNDES

Image n.º 3
AGROAMIGO CUSTOMER PROFILE



The projects are selected through public competition and the contracts should contain the three components cited above. Assistance to the final beneficiaries is non-refundable and BNDES, together with IFAD, follows up on the project to minimize risks in its implementation, seeking, in turn, to produce an accumulation of knowledge and improve execution by the state.

AGROAMIGO: LATIN AMERICA'S BEST ORIENTED RURAL MICROCREDIT PRODUCTION PROGRAM

The Agroamigo Program is oriented toward family farmers belonging to the National Program for the Strengthening of Family Farming (Pronaf). Its aim is to promote income generation and optimize the use of family labor by financing rural agricultural activities and services in both rural establishments and nearby community areas.

Agroamigo offers the following programs:

1. **Agroamigo CRESCER:** for farmers classified in Pronaf Group B².
2. **Agroamigo MAIS:** for farmers included in the Pronaf Miscellaneous Group, earning gross annual incomes of up to R\$360,000 (US\$66,052).

Farmer customers who receive this production loan participate in environmental consciousness-raising and financial education activities.

Banco do Nordeste classifies the profiles of customers in this program into four categories (image n.º3).

The program has the following objectives:

1. Support agricultural and non-agricultural activities in the rural area.

2. Assist with solar energy generation and rural connectivity.
3. Boost the sustainability of rural enterprises.
4. Expand women's access to rural credit.
5. Promote financial inclusion of family farmers and access to the bank's products and services.

It can be noted, on evaluating the socioeconomic impact on the living conditions of the program's customers, that the longer their access to the program, the better the level of conditions in the beneficiaries' households.

TABLE n.º 1
PERCEPTION OF THE IMPROVEMENT IN HOUSEHOLD CONDITIONS
(OLD VS. NEW CUSTOMERS)

Ítem	Old customer	New customer
Indoor bathroom	99,0%	97,6%
Refrigerator	19,2%	7,8%
Television	16,9%	7,9%
Gas stove	15,7%	7,0%
Automobile	24,0%	9,7%
Telephone	32,1%	16,9%
Internet	45,8%	24%

Source: Banco do Nordeste Economic Studies Area

In respect to the impact of program recruitment in Banco do Nordeste's area of operation, the following can be emphasized:

- Recruitment in 2023 amounted to R\$5.67 billion (US\$1,171 million) in contracts
- A total of 567,692 formal and informal jobs were created and maintained.



- Total wages showed an increase of R\$2.12 billion (US\$437 million).
- The gross value of production rose R\$13.71 billion (US\$2,832 million).
- The value added to the economy increased by R\$7.70 billion (US\$1,590 million).

BANCO NACIONAL DE FOMENTO: LOANS TARGETING VULNERABLE SEGMENTS

Paraguay's Banco Nacional de Fomento (BNF) has implemented a series of lines of credit designed to support the most vulnerable segments of the population. These loans are intended to provide financing to micro, small and medium enterprises (MSMEs) and women. The foremost among them are:

1. The first of these is the «Kuña Katupyry» line of credit to women entrepreneurs between the ages of 18 and 75 that need financial resources to start up or expand their business ventures. The line emerged in response to the potential demand for microloans in the country to help reinforce the development of inclusive businesses of women heads of household that undertake commercial, industrial, agricultural or service activities. At May of this year, the program had 22,219 beneficiaries, with funding of US\$39.5 million.
2. A second program that seeks to serve vulnerable sectors is «Ñande Chokokue Peguara», which was born with the aim of strengthening the economy of small rural producers, helping to improve their wellbeing and reduce their poverty by bringing about the economic integration of production chains. At this past May, the program was benefiting 7,542 persons with funding of US\$29.6 million.

In addition to these programs, the bank offers services designed to achieve greater bank use and financial education for these vulnerable sectors. A milestone of this measure has been the opening of basic savings accounts, numbering 126,056 for this segment.

As for strategic actions taken to advance financial inclusion, in 2023, the bank carried out the following:

- Provision of financial advisory assistance to indigenous communities.
- Provision of technical and commercial advisory assistance in various districts of the count.
- Presence at different agricultural fairs.
- Holding of «City Woman» symposia.
- Holding of financial inclusion symposia for officials of rural institutions.

In order to implement this strategy, the bank entered into alliances to strengthen financial inclusion with institutions, such as: 1) Capital Foundation, 2) Federation of Production Cooperatives (Fecoprod), 3) Ministry of Women's Affairs, 4) National Secretariat for Youth, 5) Agricultural Qualification Credit (CAH) and 6) Saraki Foundation

- 1 «Kuña Katupyry» and «Ñande Chokokue Peguara», Guaraní names of the programs that mean «Women entrepreneur» and «For small agricultural producers» in English.
2. Family farmers and rural producers (physical persons) that have received a gross family income of up to R\$50,000 (some US\$9,242), in the previous 12 months of normal production prior to applying for Pronaf's declaration of eligibility.

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