



OPPORTUNITIES *for the* MAJORITY

Boosting Community Banking and Farming in Paraguay

Financing a Farmer-owned, Farmer-focused Bank

Small and medium-scale farmers and agricultural producers are Paraguay's economic powerhouse, but their business growth has been constrained by lack of access to capital. Paraguay's first cooperatively owned bank is designed and funded to boost these producers at the base of the economic pyramid through long-term financing.

The Inter-American Development Bank's Opportunities for the Majority Initiative (OMJ) is lending up to US \$6 million to Banco para la Comercialización y la Producción S.A. (BANCOP) to expand its agricultural and intermediate lending program. OMJ support fills an important need in Paraguay's financial market and works to remove obstacles for producers.

Platforms for Long-term Financing

Small farmers and producers in Paraguay mostly form cooperatives and communities to pool their efforts and cultivate more land, raise more livestock or process more food, and to improve their bargaining power in the marketplace. Increasing international demand for agricultural commodities is a great opportunity for producers to increase exports and earnings.

Small-scale producers need financing to grow. They mostly obtain credit through their cooperatives, but those rely on member contributions and savings, and offer limited financial support. Producer cooperatives are also part of the Paraguayan financial system, which offers very short-term credit—up to a few months. So they are unable to provide longer-term financing.

BANCOP's innovation builds on existing platforms—producer associations and cooperatives—and solidifies them to form Paraguay's first cooperatively owned bank promoting the development and sustainability of small-scale producers.

With support from OMJ's long-term financing, BANCOP will offer financing tailored to small-scale producers' business models, their needs for working capital and investment for agriculture, livestock and service industries.

Developing Clients and Ownership

Regulated similarly to other local banks in Paraguay, BANCOP is a banking cooperative formed by agricultural associations or cooperatives. The 27 cooperatives that are the bank's shareholders are also its clients.

BANCOP aims to operate in communities without traditional banks, thereby increasing financial inclusion and promoting economic development in rural areas. As producers grow their businesses, they employ more people locally, rooting the community and avoiding migration, especially of younger workers.

The bank's creation was spearheaded by the main producer cooperatives' association, Federación de Cooperativas de Producción, FECOPROD.

FECOPROD acts as agricultural extension agent, funding and managing training for small-scale producers to improve crop management and production techniques. It will support BANCOP's members to improve business management, accounting and administrative skills.

To strengthen BANCOP and support development of financial products like individual micro-loans and micro-insurance, the IDB's Multilateral Investment Fund is developing a technical assistance program.

BANCOP's portfolio will be diversified among different crops, dairy and meat, and in geographical areas.

A Regional Model for Small Farmers

BANCOP has the potential to be a great example for Paraguay's financial sector as well as for banks and farmers across the region. More than a third of the economically active population—1.2 million Paraguayan—are members of a cooperative. Following BANCOP's example, many cooperatives could start their own banks.

Other countries in Latin America have many cooperatives made up of small producers, so there are many opportunities for the project to be replicated and scaled up.



For more information about the program, contact: OM-IDB@iadb.org
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