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Investing in rural people in **Paraguay**

Rural Poverty in Paraguay

Despite the importance of agriculture in the country and the recent improvements in social policies, Paraguay's poor rural people still suffer the consequences of their disconnect from the country's economic performance.

Over the past decade, Paraguay's economy has experienced significant growth. The agriculture and livestock sectors, which account for 20 per cent of gross domestic product, have expanded by 52 per cent due to global demand for agricultural commodities such as soya, wheat, maize and beef. More than 75 per cent of Paraguay's export income comes from agricultural products.

Paraguay's poverty indicators show a declining trend, from 41 per cent in 2007 to 23 per cent in 2014. But 32 per cent of the rural population is still living in extreme poverty.

Family farms number about 235,000. However, this figure is decreasing and around two thirds of these families are poor and at risk of being displaced from their land.

The main causes of poverty among family farmers are unstable prices for agricultural products, inadequate pay for agricultural work, low productivity, limited use of technology, deteriorating soil fertility, lack of access to financial



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services, weak and isolated rural organizations, limited supply of public goods and services and difficulties in accessing land. Women are particularly disadvantaged because of inadequate access to public goods and services, and deterioration of family farms caused by migration of men to urban areas. In many cases, their income is either non-existent or insufficient to cover basic needs.

Indigenous peoples are another marginalized group. Most indigenous communities suffer from food insecurity and only 55 per cent have their land rights recognized. About 98 per cent of indigenous households lack safe water, 90 per cent have no electricity, and the infant mortality rate is extremely high.

Paraguay's environmental situation is serious, with climate change negatively impacting smallholders. Deforestation and soil degradation rates are enormous. Ever-declining yields for the country's major crops are foreseen if agricultural practices remain unchanged.

Eradicating rural poverty in Paraguay

The improved performance of agriculture has enabled the country to make further macroeconomic progress, stabilizing exchange rates and bringing inflation under control. Moreover, the country has undertaken important social reforms such as free access to primary health care and basic education, and expansion of conditional cash transfer programmes to people living below the poverty line.

Current government policies prioritize combating rural poverty. The National Development Plan 2014-2030 facilitates coordinated actions in this area, engaging governmental agencies, regional and local levels of administration, civil society and the private sector.

The Agricultural Strategic Framework 2009-2018 and the Ministry of Agriculture and Livestock's Institutional Strategic Framework take a territorial development approach that goes beyond a vision restricted to agriculture. They call for supporting family farming and food security, ensuring poor rural people access to services and promoting competitive food production to substantially reduce poverty and social exclusion in rural areas.

The Ministry of Agriculture and Livestock conducted a census of family farmers and vulnerable producers, making great effort to update and enhance the functioning of the census. One important objective is to make greater use of technology in the extension system, targeting family farmers and grass-roots organizations to support commercialization and sustainable agriculture initiatives.

The government also intends to rationalize rural finance instruments to gradually replace direct cash transfers with appropriate credit facilities.

IFAD's strategy in Paraguay

IFAD-funded operations in Paraguay focus on empowering smallholder farmers and indigenous families by creating and strengthening rural organizations - in terms of governance, organizational administration and service capacity - to provide members with the tools they need to manage their own development.

Training and funding allow rural organizations' members to increasingly use technology in agricultural production in a number of areas:

- sound input use techniques
- soil conservation practices
- efficient irrigation
- use of appropriate genetic resources.

Special attention is also paid to financial inclusion. IFAD's work in Paraguay supports facilities that give smallholder farmers access to rural financial services, including savings, credit and insurance.

At the same time, all of the IFAD-supported programmes have an environmental component to guarantee resilience to climate change. Measures include the setting up of climate information and early warning systems.

The overall objective is to boost the capacity of smallholder farmers to set up sustainable, profitable rural enterprises with access to local, national and, in some cases, international markets.

Enhancing the production and marketing capacities of poor rural people will raise their incomes and thereby improve their living standards. This is the way forward towards an inclusive, sustainable rural transformation that will benefit not only smallholder farmers, but the whole country.

Current operations



IFAD-funded operations in Paraguay **empower** smallholder farmers and **strengthen** rural organizations

Project for Improved Family and Indigenous Production in Departments of Eastern Paraguay

14,500 rural households in four departments in the eastern region will benefit from the Project for Improved Family and Indigenous Production in Departments of Eastern Paraguay (PROMAFI). The project will reach out to family farmers and indigenous communities in districts with high poverty rates.

The objective is to increase poor rural household incomes sustainably through building the capacity of grass-roots organizations to identify and undertake business activities. With a strong focus on gaining access to markets, the project promotes the development of business plans and organizations' capacity to finance their businesses through credit from financial institutions. To this end, the project will set up a guarantee trust, which will underwrite smallholder loans.

PROMAFI also has an environmental component and aims to build organizations' capacity in climate change mitigation and adaptation. The project will help improve the country's weather station network and set up a climate information service through which smallholder farmers can receive alerts via text messages.

The total project involves a US\$23.8 million investment. IFAD's contribution constitutes a loan of US\$17.4 million and an ASAP grant of US\$5.1 million.

Inclusion of Family Farming in Value Chains Project (PPI)

This project aims to increase the incomes and quality of life of small family farmers and poor rural people in Paraguay through their sustainable inclusion in value chains. It works primarily with representative social organizations, improving their governance, organization and service-providing capacities.

There is also a strong focus on adaptation to and mitigation of climate change. The project also seeks to improve family farmers' access to credit, promotes production diversification and the use of improved technology and, ultimately, links up project participants with markets.

The project area encompasses the eastern region of Paraguay and is meant to reach 14,500 poor rural families, including both small farmers already linked with markets somehow and vulnerable groups such as landless farmers and indigenous communities. Attention to women and youth is a priority.

The total project involves a US\$25.8 million investment. IFAD contributes with US\$10.0 million and a grant from the New Zealand Government of US\$0.7 million.



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Building a poverty-free world

IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$17.7 billion in grants and low-interest loans to projects that have reached about 459 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN's food and agriculture hub.

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For further information on rural poverty in Paraguay, visit the Rural Poverty Portal <http://www.ruralpovertyportal.org>



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May 2016