

# Eyes on rural communities in Paraguay:

Rural development through cooperativism and associativity in general

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In an associative context, indigenous communities have their importance in the maintenance of principles for collective actions and the formation of cooperatives that allow them to strengthen and reinforce an organizational wisdom, characteristic of their own culture, which constitutes their greatest social capital. Accordingly, economic strategies based on sustainability and participation like the cooperative idea can help supporting these regions in their way to greater economic independency and welfare.

### Guaraní, Sopa Paraguaya and Tereré – sound familiar?



The answer we are looking for is the rather small country of Paraguay, given name to a landlocked territory in between Bolivia and its big neighbors Argentina and Brazil with approximately 6.8 million people. The official languages are Spanish and Guaraní, the latter being a well preserved indigenous language that is still spoken or at least understood by most Paraguayans. Even if you might not have heard of the word Guaraní before setting a foot in the South American country, once you do, you will realize the importance of it. Modern Paraguay is still strongly influenced by the ethnic group that once settled in the vast tropical forests of today's territory of Paraguay and Southern Brazil. Also, while enjoying your first Paraguayan lunch or dinner, it is highly likely to stumble upon the words Sopa Paraguaya and Tereré. While the first term might tell you that it is a soup we are talking about, do not be too sure until they serve you what they literally call the Paraguayan soup (hint: it is not a soup). Top it all off with a nice cup of Tereré, the traditional drink that cools your

head in the tropical climate, pay the bill with Paraguayan Guaraníes and, voilà, you officially arrived at Paraguayan soil.

### Cooperatives in Paraguay

The cooperative sector per se takes an important role in the economy of Paraguay and has seen a significant growth since 2007 in particular. Proof for that is the number of members registered in Paraguayan cooperatives that has doubled to approximately 1.5 million people within these 10 years, corresponding to almost every fourth Paraguayan adult.

Cooperatives are usually located in rural regions, where private banks show little or no presence and interest. In addition to production cooperatives, rural savings and credit unions are often important drivers of rural development in these zones. Within the system they implement schemes to support the local population, cooperatives and small farmers alike, to implement new projects through their funding and accompanying technical advice. As a positive side-effect, people are encouraged to seek contact with their neighbors. And who knows, maybe even think about organizing themselves economically as a community and cooperative, respectively.

In Paraguay, the cooperative sector is divided into a finance sector with CONPACCOOP being its confederation and the production sector, led by CONCOPAR as confederation, the latter being strongly influenced by its federation FECOPROD. As the Paraguayan Federation of Agricultural Cooperatives, FECOPROD's main task is to represent the interests of both agricultural cooperatives and non-members. Furthermore, various services are offered in the area of consulting, testing and training.

### The liaison between FECOPROD and the DGRV

The DGRV, the German Cooperative and Raiffeisen Confederation, works together with FECOPROD

since the project phase of 2007-2009. Main topics of the cooperation have been strategic planning, internal audit and internal control systems but also the development of a cooperative academy and a bank owned by the production cooperatives in Paraguay (BANCOP).

Looking at the overall strategy of German development cooperation in Paraguay, it comes as no surprise that the DGRV wants to step up its activities in promoting the rural development since the local office sees a major demand for the cooperative idea within marginalized regions. Correspondingly, the organization invited the German agricultural expert Dr. Ralf Schaab to Paraguay. Together with representatives of FECOPROD and the DGRV, five regions and eight projects were visited in the southeast of Paraguay in April 2018. The idea of the visit was an analysis of the current situation within these cooperatives and farms, identifying needs for potential projects to tie up to as the implicit primary goal.

Mr. Schaab proposed potential activities and

projects that are all within the overall framework of the improved value chain for small and medium-sized farms. Beyond that, these projects are all based on existing projects and designed to strengthen sustainability in the regions by promoting cooperative structures, on the one hand, and technical assistance, on the other. They can be seen as useful additions that increase the cost-effectiveness of measures already taken by other organizations like the Paraguayan FECOPROD, the German GIZ (and CIM), the Japanese Nikkei Foundation or local partners, therefor contributing to a more stabilized income for farmers. By consolidating the foundation of these families and the surrounding communities, the project also aims to keep younger people in rural areas, either to sustain the economic perspective for young families or to even reunite them.

Prohibitive acquisition costs for appropriate equipment prevent small scale farmer from being competitive with their bigger peers. That said,



better equipment is not only necessary to facilitate hard manual labor in the fields and to make processing raw materials more cost-efficient and profitable, but might also represent the biggest obstacle from integrating more steps into the local value chain. However, families often simply cannot afford these necessary investments, mostly due to insufficient funds being available to them.

### Cooperativism in rural areas of Paraguay

Self-help is a good example why the cooperative idea can be seen as an elementary solution to economic independency: “What one person cannot achieve is achieved by many”. Besides the economies of scale of buying and selling together and the economies of scope by sharing best-practices and knowledge, cooperatives are also beneficial when it comes to capital-intensive investments as mentioned above. The machinery becomes more easily accessible as more people take a share in its financing, not only reducing unused time of the equipment, but also reducing maintenance costs.

*“Self-help is a good example why the cooperative idea can be seen as an elementary solution to economic independency.”*

In the context of a first reunion after the visit of the German expert, the DGRV and FECOPROD talked about the potential of each proposed project. The idea in general is simple: large, successful cooperatives help smaller neighbors to make their



processes more economical, hence promoting regional socio-economic development. An example of such a project would be to help smaller associations or cooperatives within a network to integrate value-adding processes into their value chain. The so-called “neighborhood cooperatives” for the promotion of small farmers has been a successful development model implemented by rural cooperatives in the federal state of San Pedro for almost 20 years. The neighborhood cooperatives Cuatro Vientos in Volendam and Cooperativa Carolina in Friesland are seen as key players in this project, as both of them have a number of smaller and weaker players in their respective areas that would have a great benefit from such a project.

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During the conversation, three areas have been identified in line with the neighborhood coopera-



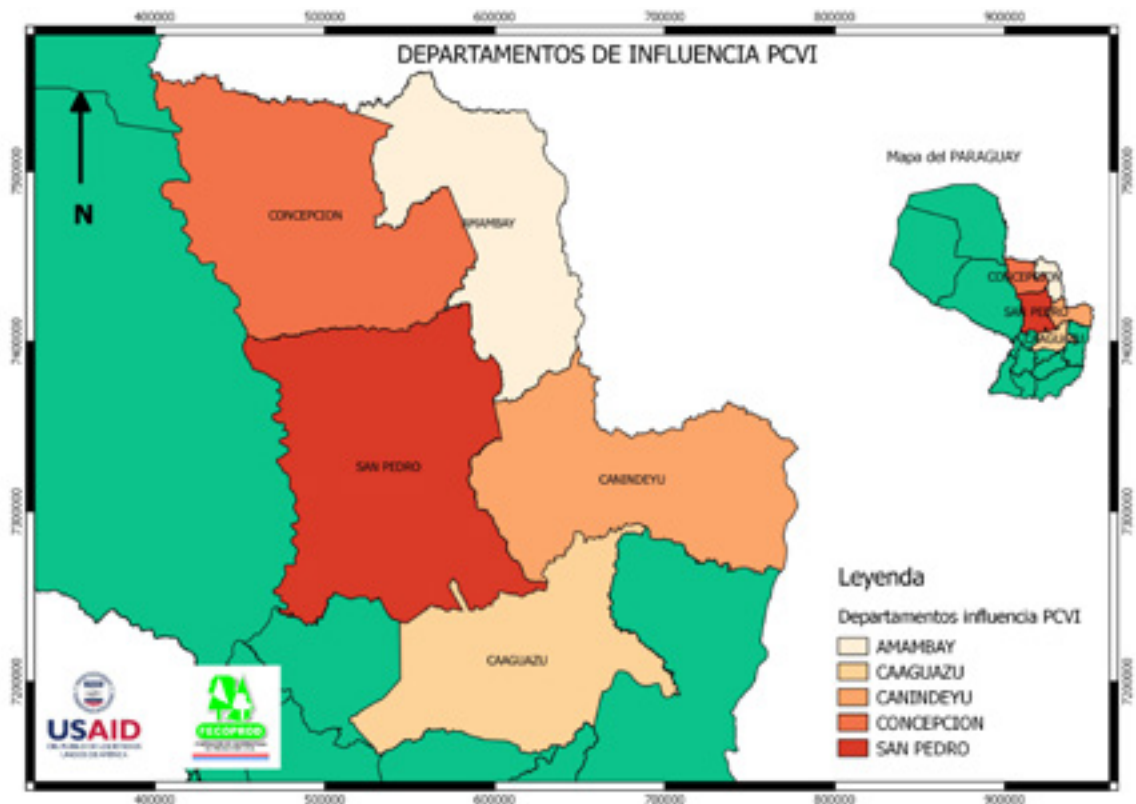
tives mentioned before. First of all, mechanization and technological adaptation of small farmers, i.e. small machinery, cold storage, drip irrigation, etc.. The DGRV sees its main supporting role in management consulting and technical advice. Financial support for micro-investments as an incentive for establishing cooperative structures (see German Maschinenring as example) is often necessary and could be supported by different donors. Second, supporting the training of cooperative systems for farmers to help them organize themselves as an economic association. Activities of the DGRV could include e.g. process consulting in the areas of joint certification of products, marketing strategy, organization dynamics, etc.. As a last area, the DGRV sees potential for establishing financing models alongside technical support for farmers through rural savings and credit cooperatives. The role of the DGRV could include technical advice to farmers on the economic use of investment, on the one hand, and financial (credit) counseling for the

cooperative, on the other. A similar scheme has been implemented by the Paraguayan cooperative COOPEDUC which is explained in more detail in the last section of this article.

### USAID assisting indigenous communities

Another important development project within rural areas of Paraguay is the **Inclusive Value Chains Program (Cadenas de Valor Inclusivas)**, implemented by FECOPROD, with the financial support of the United States Agency for International Development - USAID. The project assists the indigenous communities in four of the seventeen provinces/states that constitute the Paraguayan territory, making it an important player within the international cooperation context.

The technical assistance of the Paraguayan federation with USAID reaches around 3,000 people





distributed along the provinces of Amambay, San Pedro, Concepción and Canindeyú. This assistance consists of the development and strengthening of the communities in different aspects, such as venturing into sales of agricultural production in an associative way to acquire their own identity and a development based on ancestral knowledge.

***“The indigenous communities have their own values of an association that is based on solidarity, organization and commitment.”***

The setting of indigenous communities requires their own ways of living and finding of nutrition in nature, which was and still is the main supplier of food. Additionally, through plants and animals from their local regions, the indigenous people use medicine that allows them to increase in knowledge and wisdom about plant species for treatment of diseases and food production. One main characteristic of Paraguay is its large extension of forests that served as a habitat for the indigenous communities, which were displaced



over time since territories were re-organized because of the growth of agriculture, livestock and industries.

Despite this organized culture of survival, indigenous communities are still the most vulnerable in our country, since they do not have the capacity to meet their basic needs in an autonomous manner. This is where support and aid is needed, so that their insertion into the economy can be established, based on recognition and respect for their ancestral values.

The cultural tradition of these groups in the use of forests, medicinal plants and food, as well as honey, are considered a cultural capital that must be preserved, but also adjusted to new markets without affecting environmental and social sustainability.

### **Strategic project**

In this regard, FECOPROD executed until September 2018 the *Inclusive Value Chains Program* with the support of USAID / Paraguay, with the main



objective of promoting the sustainable economic and social development of small-scale, rural producers and those of the indigenous communities. This is achieved through the promotion of agricultural value chains that pay special attention to the active inclusion of small producers and indigenous communities. Furthermore, these actions and strategies incorporate environmental sustainability and the mitigation of the adverse effects of climate change.

Here are some activities based on the ancestral knowledge about the use of their forests and natural resources, taking into account their forms of use and exploitation: First, honey production is based on traditional knowledge, which is a development of appropriate technologies for an efficient production that is sustained economically, socially and environmentally, taking advantage of the existing rich and exuberant flora, without the destruction of natural resources. Second, the production of medicinal plants, which represent the natural capital of the community and an ancestral collective heritage.

Therefore, the **ASSOCIATIVE WORK** ends up strengthening this means of sustenance, besides generating income for families.

According to five-year work experience with these natives, the associative work strengthens the production and valuation of native seeds, for the formalization of commercial ends, activity that maintains its culture, its security and food sovereignty, and ultimately commercializes a very important remnant required by neighboring societies. Another significant aspect of the organizational strengthening is the following: It is still a challenge to overcome the poverty and instability of food supply for indigenous people because of the minimal supply of products that can access markets and financial resources.

### **Experience in associative work and the incorporation of women**

The diversification of agricultural production is of great importance and it is being implemented in the communities as said before. Women take the

center stage and cooperate both in the production of their own farms and in the associative farming. Several women join an association to produce traditional medicinal and aromatic herbs in Paraguay through the knowledge they inherit from their ancestors. This knowledge is added to the techniques of professionals, who work in close cooperation with them.

The sharing and exchange of successful experiences yields excellent results for the adoption of useful models for improving the quality of life of these groups. One example of this exchange is in the sales fairs that take place in the capital city, which includes people from urban centers and individuals from other parts of the country. These exhibits become interesting sources of income for indigenous families, who display their products of great quality to the general public. This type of business is being adopted by some indigenous communities, with strict assessment in quality and the presentation of their products. It is necessary to continue promoting projects such as “Associative Work”, to seek the development of indigenous people and achieve through this type of initiatives sustainability with a business model that respects their cultural beliefs and traditions.

### **Another example to promote resilience of rural area population**

The Guairá administrative district in southern Paraguay is known for cultivating sugarcane. After the closure of the sugar factory in the municipality of Iturbe, development in the affected communities of Iturbe, San Salvador and Borja has stagnated over the past six years. This led to a reduction in the agricultural activity of small farmers and hence to raising debts, an observation that is also reflected in the statistical analysis of the region: According to data from the national statistics office, DGEEC, total poverty for the Guairá region for 2015 is 28 percent, of which about ten percent are considered “extremely poor”.

The biggest cooperative of this region, “COOPEDUC”, was founded between 1971 and 1972



in the city of Villarrica as a savings and credit cooperative of educators, on the one hand to gain financial independence and, on the other hand, to promote the social appreciation of their profession. In 1997 other goals were added, such as the expansion of services for its employees and integrated consumption, production and services. COOPEDUC has over 150 employees and currently has 65,428 active members, spread across different communities, mainly in the Villarrica area. Over half (52%) of all cooperative members are women. Since 2004, the cooperative has also financed the agricultural production of small farmers in the Guairá region and in some municipalities of the neighboring department of Caazapá. 4,393 farmers are active members of the cooperative, making COOPEDUC one of the primary sector promoters in the region.

*“COOPEDUC’s motivation for the project was to provide support to families and farms particularly affected by the impacts of the recent developments as they could not expect help from the state or any other organization at the same time”*





Since the sugar crisis has hit the region in 2012, COOPEDUC is helping farmers finding profitable alternatives (like the passion fruit or Mburucuyá in Guaraní, as seen in the picture) to strengthen social and economic self-preservation and resilience. The cooperative's motivation for the project was to provide support to families and farms particularly affected by the impacts of the recent developments as they could not expect help from the state or any other organization at the same time. According to the cooperative, the most important goal is not only to give people their dignity as farmers, neighbors and fellow human beings of the region, but also to counteract the rural exodus and to make the country life more attractive again, challenges that can be seen only in the Paraguay countryside in the face of a more globalized world.

**Cooperation as key:  
the role of the DGRV**

In the course of the close cooperation between the cooperative COOPEDUC and the DGRV, farmers

are trained by the project staff mainly on financial and technical issues as well as the potential of cooperatives. The formation of producer groups according to regional zones promotes economic efficiency as well as social thought, while diverse cultivations with new products like sesame and passion fruit enhance farmers economic position by securing income through agreements with bulk buyers.



In addition, the program Oñondivé (Guarani for “together”), funded by the German Government, was founded in COOPEDUC with the help of the DGRV. This refers, on the one hand, to a refinancing fund providing special grants for micro-loans adapted to the needs of producers and the harvest and, on the other, adapted training courses in the field of financial education for small farmers. Furthermore, the DGRV advises the cooperative on the definition of eligibility criteria for borrowers, the definition of appropriate credit assessment procedures and the granting of loans to segments of the most vulnerable members. The learning process is continuous as it took place in two consecutive agricultural years, which brought some lessons and opportunities for improvement that were discovered by the DGRV technicians and analyzed together with COOPEDUC’s executives and staff.

By continuing the project activities presented, the area can develop into a region of organic products for regional and international markets in the years to come. The aim is to continue building capacity among farmers in order to transfer technologies, added value and production volumes and integrate them into the value chain. In addition, the municipalities themselves should set up coordination centers for cooperation in order to achieve coordinated action in six municipalities with public and private institutions. This work requires the participation of multiple actors, where local cooperatives play an important role, as an axis of regional development.

### *“The cooperative idea is still valid and relevant today”*

In general, the success of international cooperation is always reliant on solid business principles paired with good cooperative governance structures by counterparties. By supporting the cooperative sector and by making its market more efficient and competitive, the DGRV continuously strives to closely stick to principles that are in line with the cooperative idea as contemplated by Friedrich Wilhelm Raiffeisen, which is to promote the welfare, socio-economic and cultural life as-

pects of all its members. The presented cases of the DGRV and USAID are current examples that these principles are still valid and relevant today.