**Project abstract**

**Overview**

Brazilian farmers lack access to adequate and sufficient financial and non-financial services to invest and grow their agricultural production efficiently. According to the Central Bank of Brazil, there are few financial intermediaries with local presence in rural locations, which tends to limit the availability of adequate financing particularly for small holder farmers.

Credit cooperatives historical mission in Brazil is to provide both financial products and training to their members in rural areas. As a result, credit cooperatives outnumber banks in providing rural finance and services in more remote areas. Moreover, these cooperatives have also traditionally been an effective channel for the Government and other financial intermediaries to deploy rural finance for the smallholder farmers as well as promoting sustainable agricultural practices.

**Project Description**

The purpose of the partnership with Banco Cooperativo Sicredi S.A. (“Banco Sicredi”) is to increase the available financing for Brazilian medium and small size farmers, prioritizing investments in low carbon agriculture technologies, in order to increase agricultural productivity and food production. The IDB’s intervention will combine: (i) an A-Loan of up to US$35 million, 4 year amortizing loan to be complemented with an up to US$15 million co-loan from the China Co-Financing Fund for LAC.

The project team is also collaborating with the IDB’s Climate Change and Sustainability group to bring technical assistance for Sicredi to advance rural development in Brazil through the promotion of low carbon agricultural practices.

**Expected Development Impacts and Additionality**

The main development impact of the proposed project is to increase financing for farmers, as the the Sicredi system of credit cooperatives expands its rural lending activities, with priority to the financing of low carbon practices that are expected to reduce the pressure on the environment while seeking to increase productivity.

IDB’s loan will extend the tenor of funding available to Banco Sicredi that will then be passed on to the individual cooperatives which in turn will lend to their rural members.

**Project Contribution to IDB Objectives**

**Consistent with GCI-9 Strategy.** The proposed financing meets three of the Bank´s strategic priorities established in the GCI-9: (i) it fosters Institutions for Growth and Social Welfare notably by “strengthening SME/Micro and lending through second-tier vehicles and financial services”, (ii) it is aligned with the GCI-9 goal to pursue global environmental sustainability and dealing with climate change, and (iii) it is aligned to the Poverty Reduction and Equity Enhancement goal. In that sense, this project will be aligned with the climate change strategy, adopted by the IDB Board on 18 March 2011 namely addressing financial gaps and leverage private sector investments in climate change related activities. Additionally, the project is consistent with Brazil’s country strategy (GN-2662-1) particularly with the Environmental and Rural Management, Climate Change and Private Sector Development priority sectors. The proposed project contributes to SCF’s specific vision targets of channeling US$12 billion in financing to climate friendly investments and support financing for more than 700,000 micro and SMEs by 2015. The partnership is also in alignment with its *accessBanking* strategy pillar of the SCF Financial Markets division that promotes social inclusion through access2MSMEs product lines.