Paraguay’s $100m Agroforestry Programme Blends Finance and Sustainability in a Structured Delivery Model

May 5, 2026

The World Bank has approved a $100 million project in Paraguay designed to unlock investment into sustainable agroforestry while creating jobs across rural value chains. Framed as a financing-led development programme, the initiative moves beyond traditional grants by embedding clear project mechanisms tied to measurable environmental and economic outcomes.

A three-part structure focused on execution

The project is built around three coordinated delivery components, each targeting a specific gap in the agroforestry ecosystem:

- **Credit line for producers**: Incentivises small and mid-sized operators to invest in activities such as mixed plantations, forest restoration, silvopastoral systems and value-added processing
- **Forestry Investment Fund**: Mobilises equity for larger-scale projects, aiming to attract institutional and private capital into the sector
- **Institutional strengthening**: Enhances AFD’s environmental and social governance systems while funding project management and technical oversight

This layered structure ensures capital flows across the full value chain, from smallholder production to large-scale investment.

Linking finance directly to outcomes

A defining feature of the programme is its sustainability-linked financing model. Borrowers gain access to improved loan terms when they meet specific environmental and social criteria.

Key conditions include:

- Forest Stewardship Council (FSC) certification as a baseline
- Additional incentives for projects that aggregate smallholders or exceed conservation requirements
- Interest rate reductions tied to measurable sustainability performance

This shifts the role of finance from passive funding to active behavioural driver, aligning commercial incentives with environmental outcomes.

Targeting structural gaps in rural finance

Access to long-term capital has historically limited growth in Paraguay’s agroforestry sector. By combining credit, equity and institutional support, the project aims to:

- Reduce financing barriers for producers and developers
- Encourage investment in degraded land conversion
- Improve integration across value chains

The focus on converting pastureland into diversified agroforestry systems also supports carbon capture, soil restoration and water management, adding environmental resilience to economic output.

Delivery anchored through a national institution

Implementation will be led by Agencia Financiera de Desarrollo (AFD), Paraguay’s national development bank. Positioning AFD at the centre of delivery ensures:

- Alignment with national development priorities
- Stronger oversight and governance
- Continuity beyond the initial funding cycle

It also builds long-term institutional capability, rather than relying on external delivery structures.

A project designed for scale and replication

While the immediate goal is job creation and rural development, the broader ambition is to establish a scalable financing model for sustainable land use.

"This project represents a significant step forward in Paraguay's efforts to build a more sustainable and inclusive rural economy," said World Bank Division Director Peter Siegenthaler.

By integrating credit markets, environmental standards and private capital, the programme positions agroforestry as a viable investment class rather than a niche sustainability initiative.

Financial structure supports long-term delivery

The loan is structured over 17.5 years, including a three-year grace period, giving projects sufficient time to mature—particularly important in forestry, where returns are inherently long-term.

This timeframe aligns financial expectations with biological and operational realities, a common failure point in shorter-term funding models.

From funding to system change

At its core, this is less about funding individual projects and more about reshaping how agroforestry is financed and delivered in Paraguay.

By tying capital to standards, embedding governance, and mobilising private investment, the initiative moves towards a more integrated model—where economic growth, environmental protection and job creation are delivered through a single, coordinated project framework.