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**A DECADE OF TRANSFORMATION**

ACA World Cashew Festival & Expo 2016



**Bissau, Guinea-Bissau**




*September 19-22, 2016*

**Facilitating Competitive Financing to  
the Cashew Industry**

Francisco Campos, World Bank



## The World Bank Group in a snapshot

	<b>World Bank (IBRD/IDA)</b>	<b>IFC</b> International Finance Corporation	<b>MIGA</b> Multilateral Investment and Guarantee Agency
	 <b>Est. 1945/1960</b>	 <b>Est. 1956</b>	 <b>Est. 1988</b>
<b>Role</b>	<ul style="list-style-type: none"> <li>To support poverty reduction and development policies</li> </ul>	<ul style="list-style-type: none"> <li>To develop the private sector</li> </ul>	<ul style="list-style-type: none"> <li>To reduce political investment risk</li> </ul>
<b>Clients</b>	<ul style="list-style-type: none"> <li>Governments of member countries</li> </ul>	<ul style="list-style-type: none"> <li>Private companies in member countries</li> </ul>	<ul style="list-style-type: none"> <li>Foreign investors in member countries</li> </ul>
<b>Offering</b>	<ul style="list-style-type: none"> <li>Technical assistance</li> <li>Grants and loans to government projects</li> <li>Policy Advice</li> </ul>	<ul style="list-style-type: none"> <li>Investment through Loan, Equity, and Quasi-Equity</li> <li>Resource Mobilization</li> <li>Advisory Services</li> </ul>	<ul style="list-style-type: none"> <li>Political Risk Insurance</li> </ul>

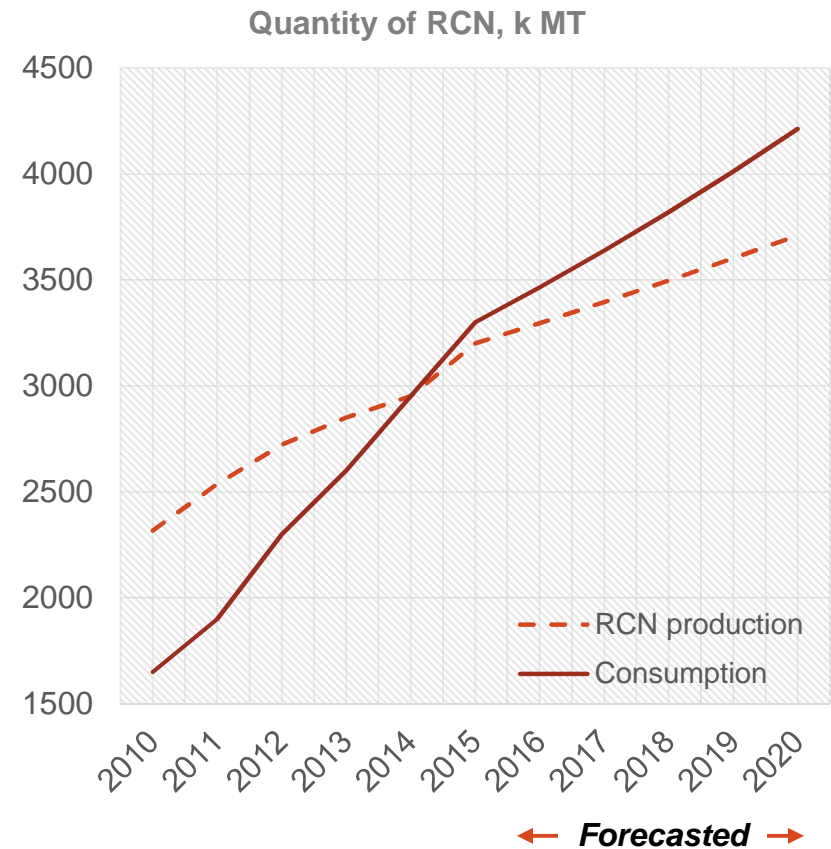
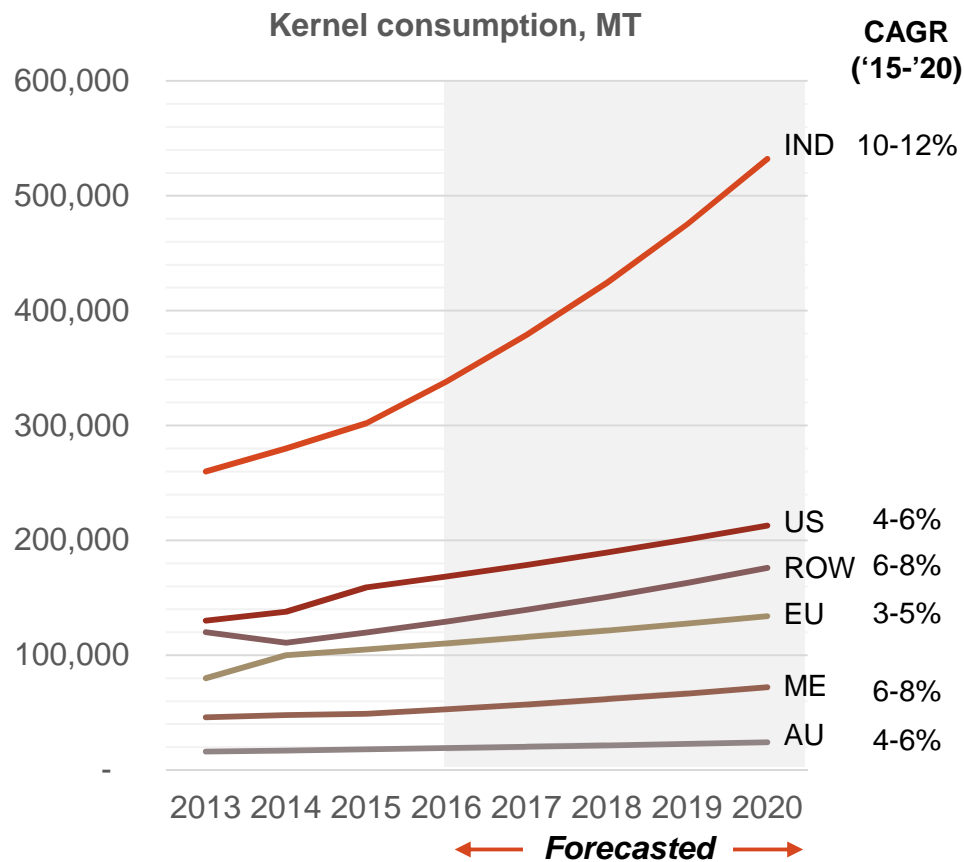


**Shared Mission: To Promote Economic Development and Reduce Poverty**





## Demand for kernel to continue strong in the coming years



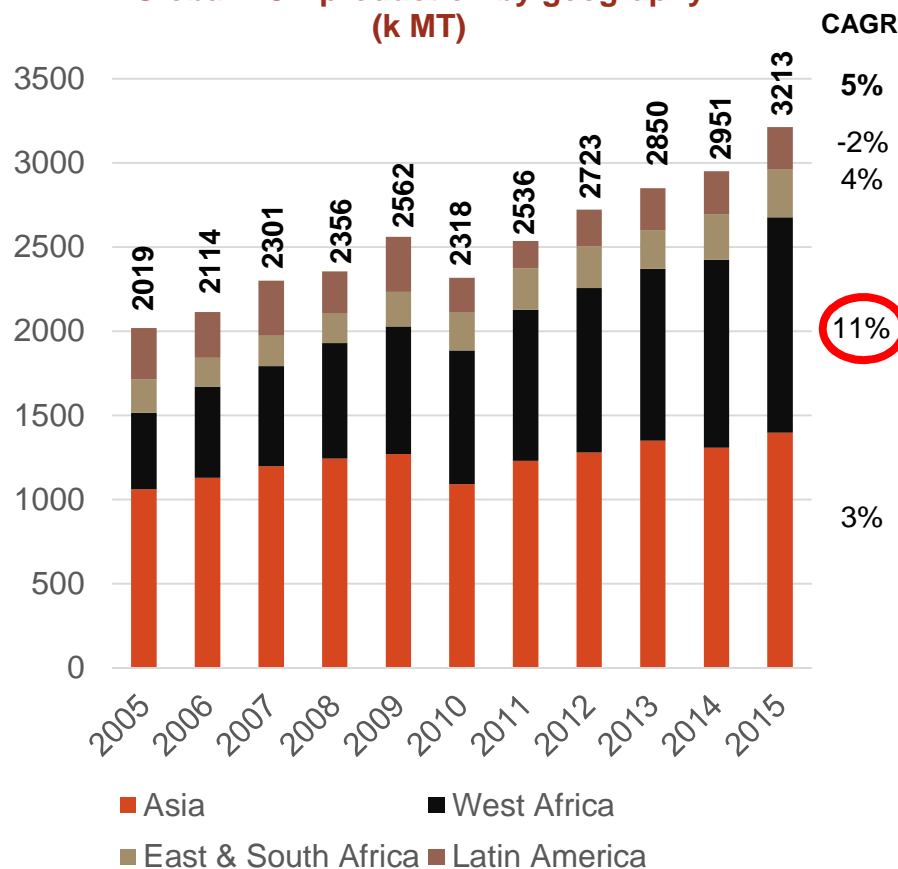


# Asia dominant in processing despite growth of production in Africa

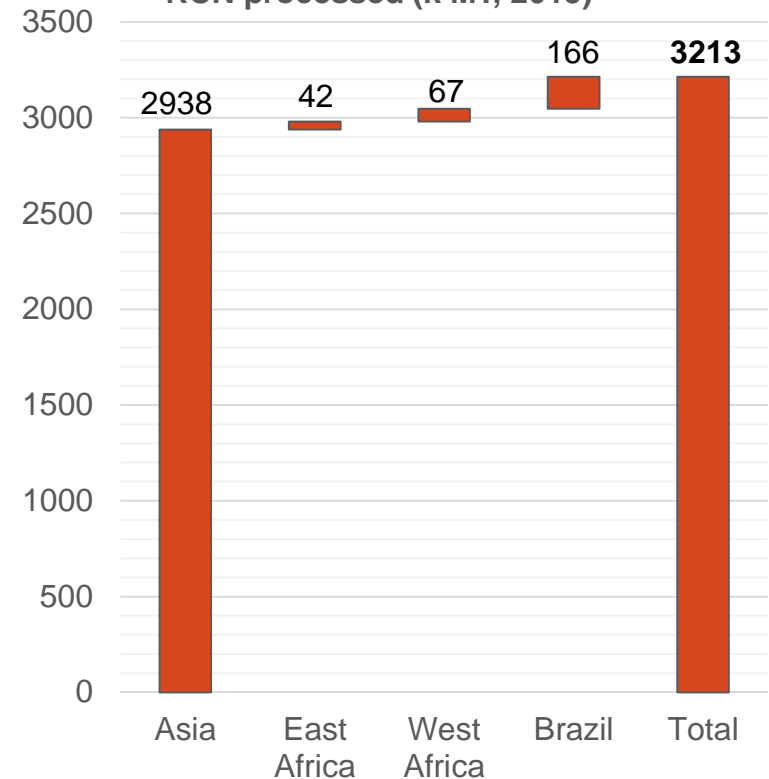
Global RCN production growing ~5%; West Africa fastest in increasing its production, growing at ~11%

Asia processing >90% of global crop; African processing industry at nascent stage & growing

**Global RCN production by geography (k MT)**



**RCN processed (k MT, 2015)**



**% share in processing**

Region	% share in processing
Asia	92%
East Africa	1%
West Africa	2%
Brazil	5%

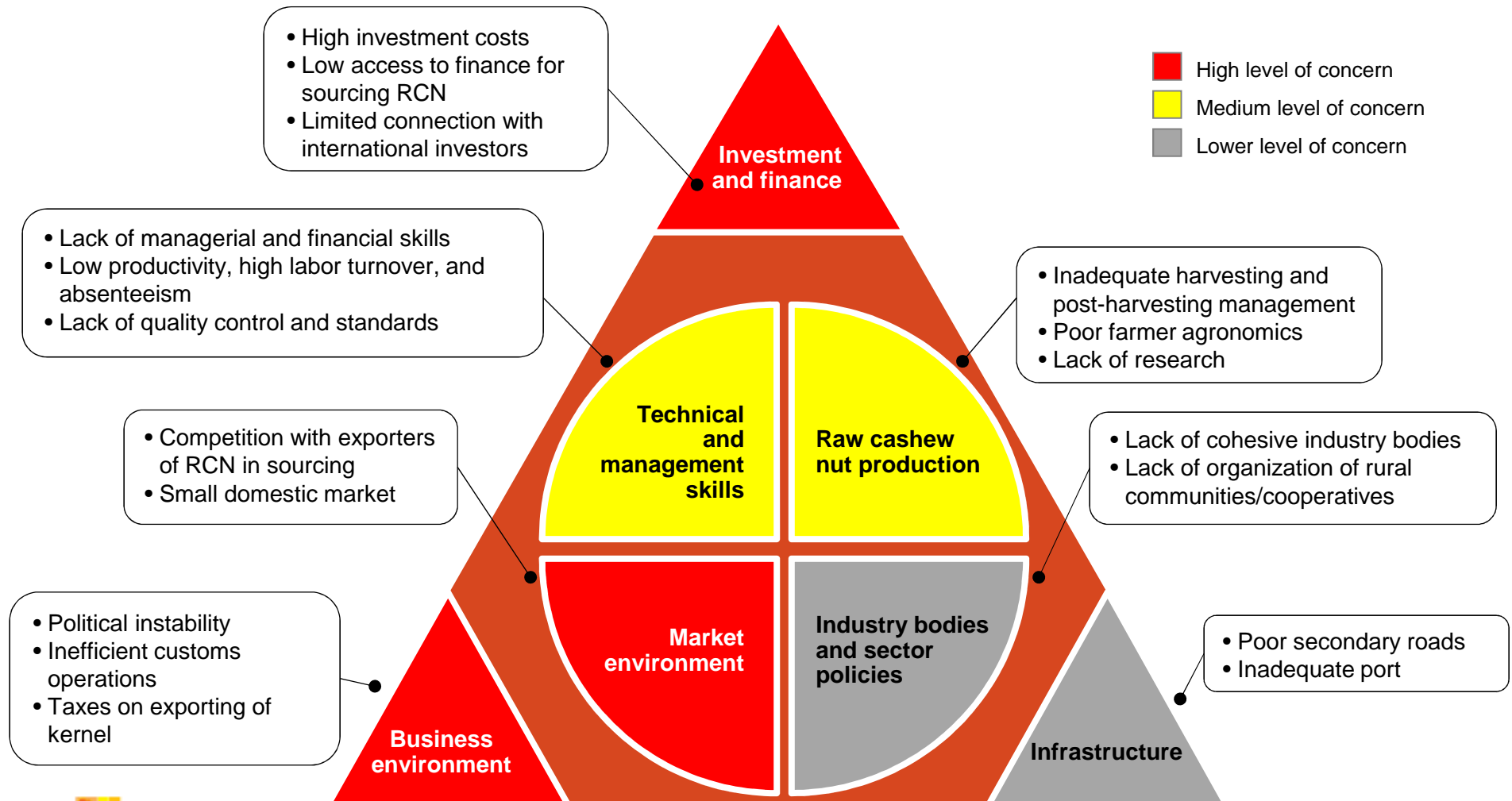
**No. of nations undertaking processing**

Region	No. of nations undertaking processing
Asia	2
East Africa	3
<b>West Africa</b>	<b>8</b>
Brazil	1





# Multiple reasons for explaining constraints to investment in processing in Africa, but finance at the core of them



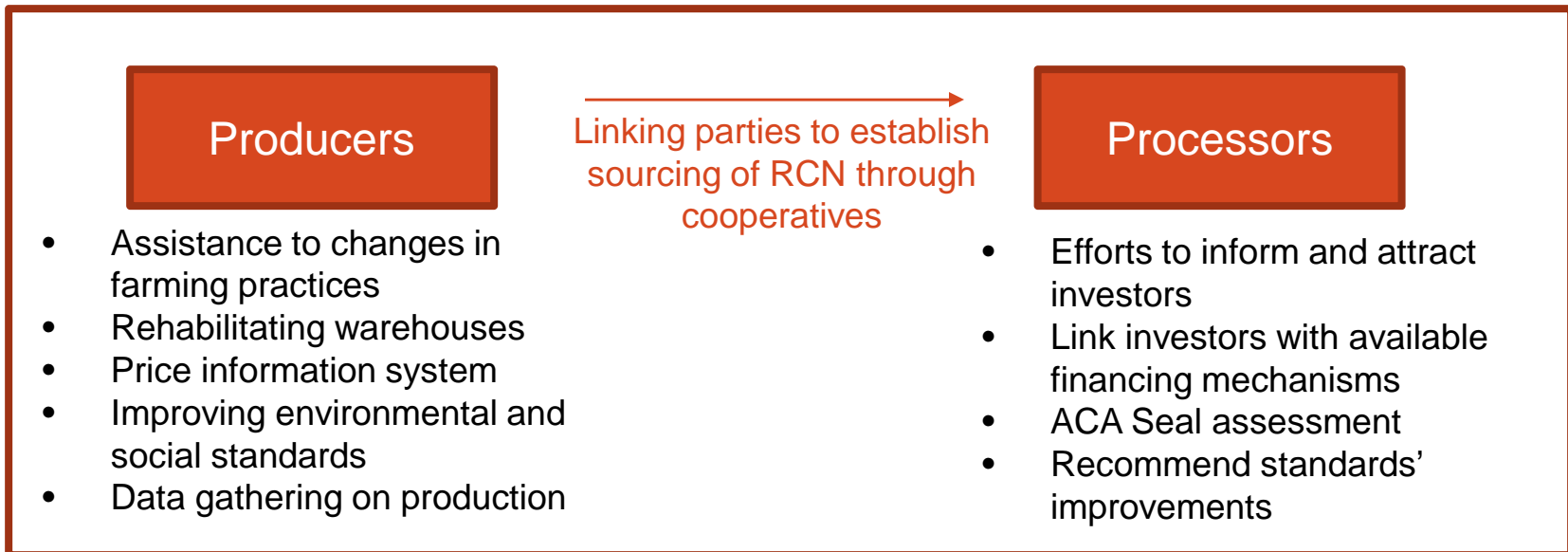


## Critical ingredients to securing working capital for cashew processing operations (based on outsiders view)

- Experience in the sector, especially in processing itself
- Capacity to invest own capital in the operation, not only in initial infrastructure
- Credit history
- Willingness to work on (food safety) standards and practices, including in relationships with producers



## Important to improve conditions for this investment eg: World Bank (WB) work in Guinea-Bissau



Improving environment for investment:

- improving governance in sector and limiting disruptions
- reforms in exports and import procedures
- helping establish warehouse receipt system
- Improving real property registration systems



## WB project linking producers and qualified processors in Guinea-Bissau

### Objectives:

- Facilitating sourcing and long-term relationships
- Better prices to producers
- More stable prices for both parties
- Facilitating quality enhancing mechanisms

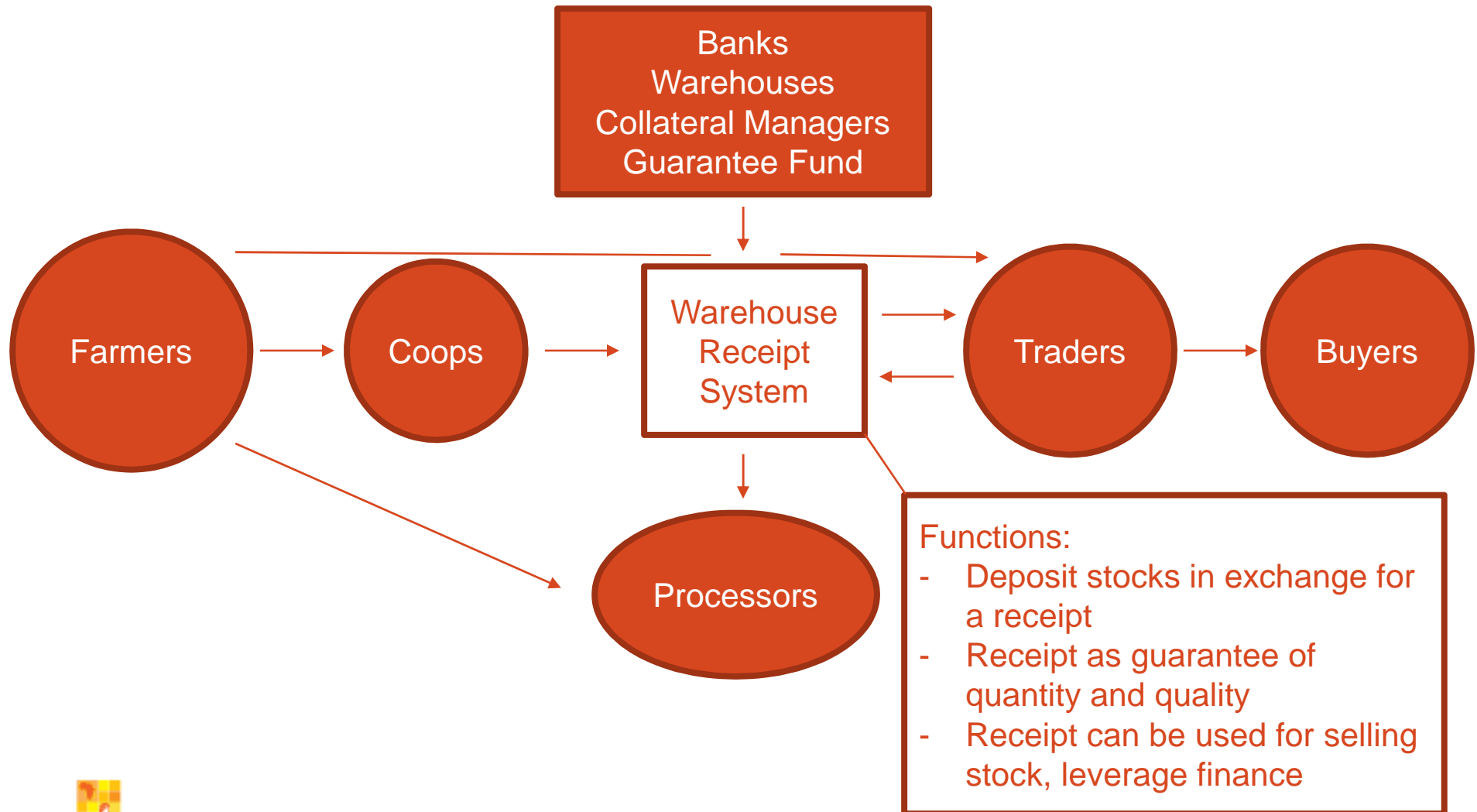
### Tasks:

- Identify processors and cooperatives with objective conditions to establish relationships
- Mobilize producers
- Capacity building efforts in building best practices
- Rehabilitating warehouses
- Setting quantities, prices and timings of commitments
- Short-term working capital for groups of producers
- Providing stepping stone for involving groups of producers in late stage of processing





## Warehouse receipts system – when adequately established - can be a vehicle of facilitating access to working capital





## WB project in preparation in Cote D'Ivoire

- Improving the organization and governance of the cashew sector
- Productivity enhancement and improved market access to RCN producers
- Improving the business environment
- Facilitating line of credit and risk sharing facilities through banks for processors
- Development of infrastructure
- Marketing development and trade



## IFC assessing investment opportunities in cashew in the region

### **Processing plants' investment**

Typically combination of

- equity
- long-term loans
- advisory services

### **Working capital/Term loans**

Typically leveraging on regional or large enough local banks for developing trade finance and advisory.

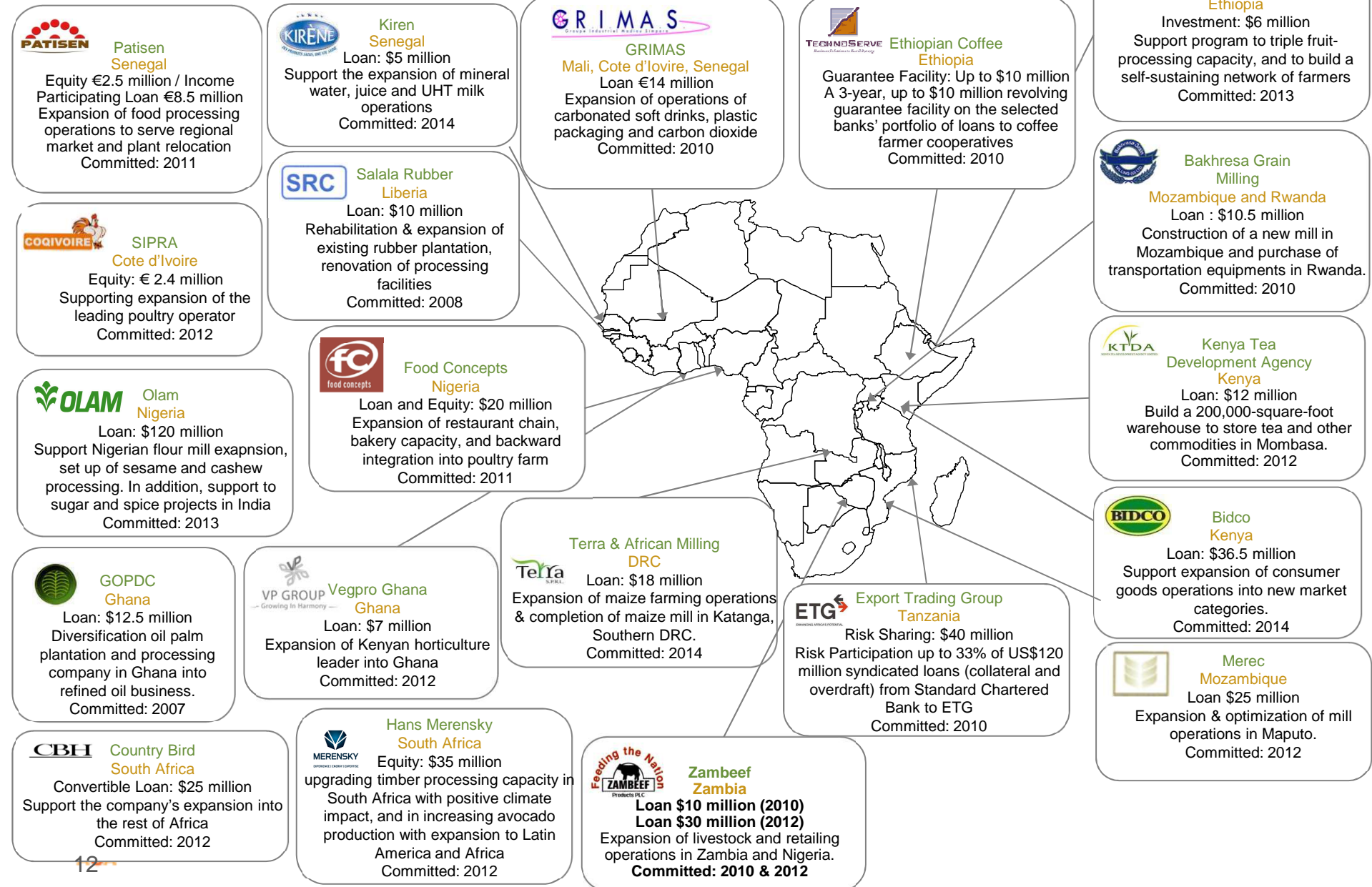
It may include:

- Credit lines
- Guarantee schemes

This includes the proposed Africa Cashew Facility that aims to provide risk sharing facilities of working capital and term loans to qualifying cashew processors



# IFC Selected Agribusiness Transactions in Africa





## USAid's West Africa Finance & Investment is facilitating conditions for investment

- Provides support to firms, **through Financial Advisors**, to obtain access to finance through grants, loans, investments and hybrid finance
- Links and supports **banks, impact lenders and investment firms**, to fund agribusinesses
- Supports market actors in selected value chains and sectors for West African **agribusinesses and light manufacturing** companies

### Results:

- Facilitated access to finance to a large cashew processing startup - \$13 million - and one small cashew processing woman-owned company
- Facilitated access to finance to 2 cashew traders, both now looking to become cashew processors
- Helped large agribusinesses to invest in the cashew sector
- Supported a couple of traders and processing companies to get adequate working capital to buy RCN





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Thank you

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