



# 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

## Bissau, Guinea-Bissau September 19-22, 2016

# The World Bank Group in a snapshot

# World Bank (IBRD/IDA)







Est. 1945/1960





Est. 1956

Role

 To support poverty reduction and development policies To develop the private sector

To reduce political investment risk

**Clients** 

 Governments of member countries  Private companies in member countries  Foreign investors in member countries

Offering

- Technical assistance
- Grants and loans to government projects
- Policy Advice

- Investment through Loan, Equity, and Quasi-Equity
- Resource Mobilization
- Advisory Services

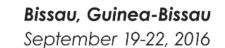
Political Risk Insurance





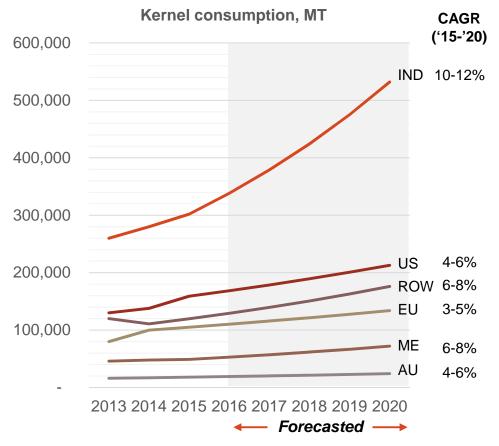
**Shared Mission: To Promote Economic Development and Reduce Poverty** 

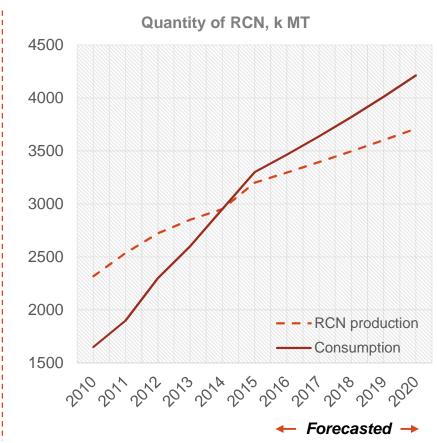






# Demand for kernel to continue strong in the coming years



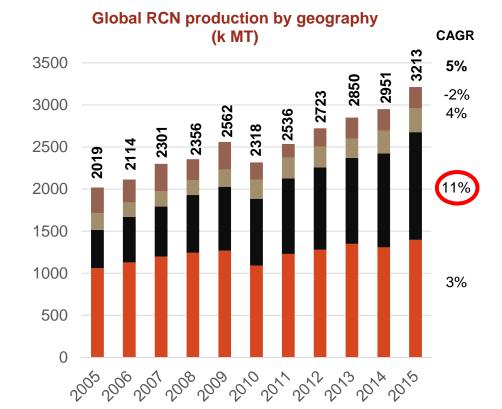




## ACA World Cashew Festival & Expo 2016

# 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%



■ West Africa

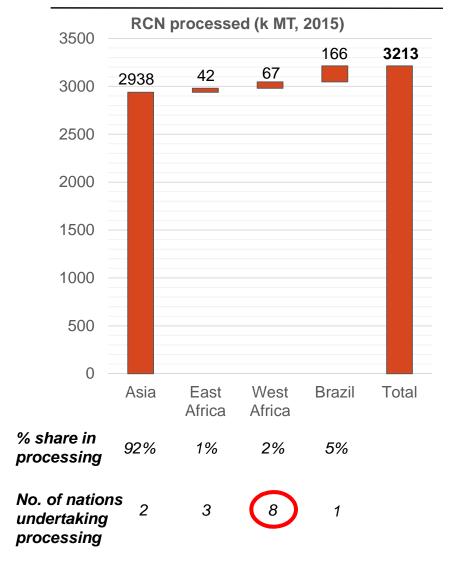


Asia

Source: Technoserve for Guinea-Bissau's PRSPDA

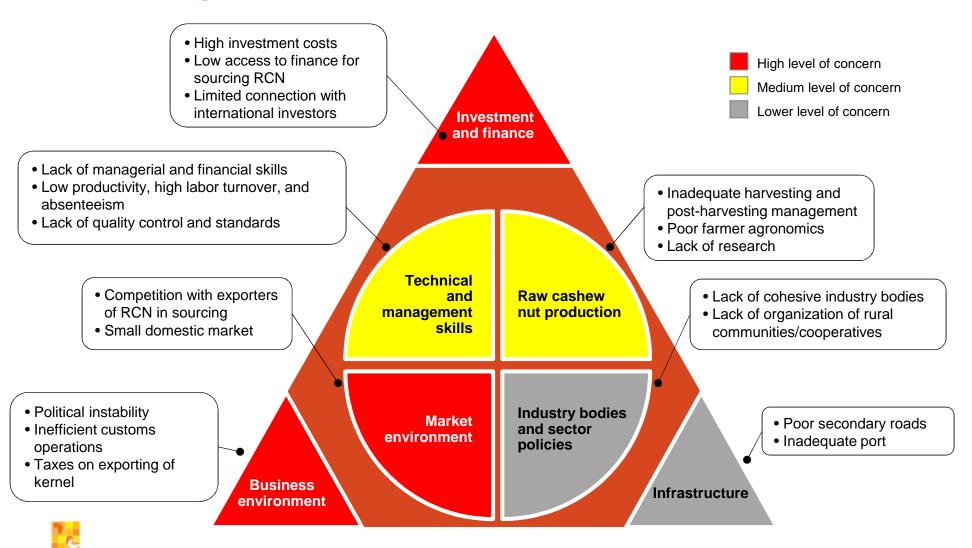
■ East & South Africa ■ Latin America

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



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# 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

## **Producers**

- Assistance to changes in farming practices
- Rehabilitating warehouses
- Price information system
- Improving environmental and social standards
- Data gathering on production

Linking parties to establish sourcing of RCN through cooperatives

## **Processors**

- Efforts to inform and attract investors
- Link investors with available financing mechanisms
- ACA Seal assessment
- Recommend standards' improvements

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:

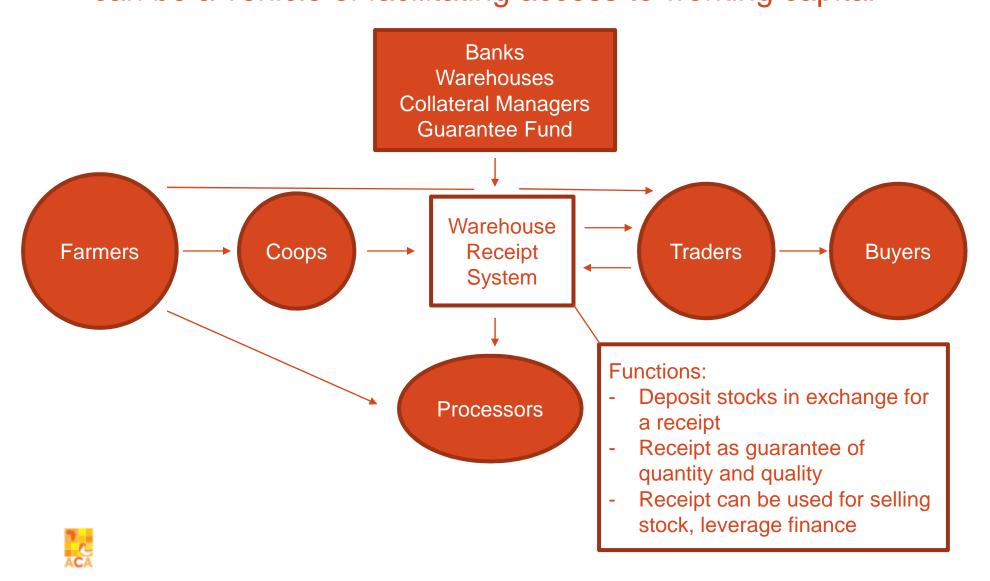
- Facilitating sourcing and long-term relationships
- Better prices to producers
- More stable prices for both parties
- Facilitating quality enhancing mechanisms

## 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



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GRIMAS-

**GRIMAS** 

Mali, Cote d'Iovire, Senegal

Loan €14 million

Expansion of operations of

carbonated soft drinks, plastic

packaging and carbon dioxide

Committed: 2010

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# IFC Selected Agribusiness Transactions in Africa



### Patisen Senegal

Equity €2.5 million / Income Participating Loan €8.5 million Expansion of food processing operations to serve regional market and plant relocation Committed: 2011



SRC

Senegal Loan: \$5 million

Support the expansion of mineral water, juice and UHT milk operations Committed: 2014

Salala Rubber

Liberia

Loan: \$10 million

Rehabilitation & expansion of

existing rubber plantation.

renovation of processing

facilities

Committed: 2008



Ethiopia

A 3-year, up to \$10 million revolving guarantee facility on the selected banks' portfolio of loans to coffee farmer cooperatives Committed: 2010



# Committed: 2013

Bakhresa Grain

africa JUICE Ethiopia

Investment: \$6 million

self-sustaining network of farmers

### Milling Mozambique and Rwanda

Loan: \$10.5 million Construction of a new mill in Mozambique and purchase of transportation equipments in Rwanda. Committed: 2010



### Kenya Tea **Development Agency** Kenya

Loan: \$12 million Build a 200,000-square-foot warehouse to store tea and other commodities in Mombasa. Committed: 2012



### Bidco Kenva

Loan: \$36.5 million Support expansion of consumer goods operations into new market categories.

Committed: 2014

### Merec Mozambique

Loan \$25 million Expansion & optimization of mill operations in Maputo. Committed: 2012

# COQIVOIRE

**<b>ॐ**OLAM

### SIPRA Cote d'Ivoire

Equity: € 2.4 million Supporting expansion of the leading poultry operator Committed: 2012

Nigeria

Loan: \$120 million

Support Nigerian flour mill exappsion.

set up of sesame and cashew

processing. In addition, support to sugar and spice projects in India

Committed: 2013



# Food Concepts

Loan and Equity: \$20 million Expansion of restaurant chain, bakery capacity, and backward integration into poultry farm



# Nigeria

Committed: 2011



### **GOPDC** Ghana

Loan: \$12.5 million Diversification oil palm plantation and processing company in Ghana into Committed: 2012 refined oil business. Committed: 2007



Loan: \$7 million Expansion of Kenyan horticulture leader into Ghana

### Terra & African Milling **DRC**

Tella Loan: \$18 million Expansion of maize farming operations & completion of maize mill in Katanga.

Southern DRC. Committed: 2014



# ETG Export Trading Group

Risk Sharing: \$40 million Risk Participation up to 33% of US\$120 million syndicated loans (collateral and overdraft) from Standard Chartered Bank to ETG Committed: 2010



### Hans Merensky South Africa

Equity: \$35 million upgrading timber processing capacity in South Africa with positive climate impact, and in increasing avocado production with expansion to Latin America and Africa Committed: 2012



### Zambeef Zambia

Loan \$10 million (2010) Loan \$30 million (2012) Expansion of livestock and retailing

operations in Zambia and Nigeria. Committed: 2010 & 2012

### **CBH** Country Bird South Africa Convertible Loan: \$25 million

Support the company's expansion into the rest of Africa Committed: 2012









TECHNOSERVE Ethiopian Coffee

Guarantee Facility: Up to \$10 million













# 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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