Côte d’Ivoire’s cashew subsector has strong potential for growth if the value chain, and especially local processing, can improve. A new World Bank project, the largest to date in the subsector, is cutting regulatory costs; developing industry associations; providing farmers with quality stock, inputs, and better extension services; improving cashew storage and upgrading processing technology; expanding access to markets with better roads; raising environmental and social standards; and encouraging local banks to lend to smallholders and processors.

Development Challenge
Cashews are Côte d’Ivoire’s third-ranking export after cacao and refined petroleum products, and a crucial source of cash for smallholders and processors in the poorer north of the country. Although Côte d’Ivoire produces 23 percent of the world’s cashew supply, worth $800 million, fewer than 7 percent of raw cashew nuts are processed domestically. This reflects from lack of finance to upgrade or build modern processing facilities, and lack of access to working capital. Low yields and quality result from poorly maintained plantations, a lack of quality stock and inputs, weak extension services, losses in post-harvest handling and storage, and lack of finance to make improvements.

The MFD Approach
Building on lessons learned in the cocoa, rubber, cotton, and cashew value chains, the new cashew project aligns with the IFC-World Bank agribusiness strategy of reforming sector governance and improving access to markets, technology, and training. The World Bank’s investments will help the government concentrate scarce public funds on sector policy, institutional, and infrastructure development, while IFC provides innovative financing to catalyze local private credit across the value chain.
Setting up the regulatory and institutional framework

The World Bank-financed Cashew Value Chain Competitiveness Project will:

- Support national organizations overseeing the value chain in managing stakeholder relations, providing training in quality control and marketing, promoting membership in professional organizations, and facilitating the legal registration and development of cooperatives
- Assess the regulatory costs for selling, buying, and trading cashew products in comparison with competing countries, and recommend improvements
- Scale up cashew industry-wide deployment of IFC’s IT platform for environment permit applications, ensure that processors meet environmental and social standards, and conduct an environmental awareness campaign for processors
- Build a specialized lab as well as improve researchers’ knowledge and skills for propagating high-performing cashew varieties, combating pests and disease, and supporting local nurseries in growing seedlings for smallholders
- Improve extension services by developing materials, providing e-extension, and hiring, training, and equipping more government and private providers of services
- Rehabilitate about 1,600 kilometers of feeder roads to improve smallholders’ access to markets, and organize and equip community associations to maintain the roads
- Advise government, processors, and traders on marketing processed cashew nuts and by-products (shells and cashew nut liquid)

Strengthening the value chain

In partnership with the private sector, the World Bank-financed project will build and equip four cashew platforms and train their staff. These platforms will demonstrate processing innovations and best practices, efficient collection of by-products, and good management, as well as value addition. Eight satellite hubs will enable farmers in outlying districts to link with processors more easily, as well as access training, market information, and quality inputs.

In 2016, following IFC support, the government legalized a Warehouse Receipt System (WRS) that enables processors to use unprocessed nuts as collateral for working capital loans. By 2017, IFC’s risk-sharing facility was encouraging local banks to make the first step toward WRS loans of $16 million to processors. Under the new project, the World Bank Group will continue promoting the cashew industry to local banks, offering a risk sharing guarantee, and establishing an online registry of WRS borrowers for banks to check before making new loans. Based on IFC’s 2014–18 pilot of an IT platform for environmental permit applications, which cut processors’ costs from $22,000 to $10,000, IFC will scale up the platform nationwide. IFC will also continue seeking private investors to finance cashew storage and processing facilities, either on their own or in public-private partnerships with the cashew processing platforms.

Expected results

About 225,000 cashew farmers are expected to benefit from these interventions, and through improving quality, raise their annual raw cashew yields by 20 percent, which by the end of the project is expected to result in a substantial increase in income per hectare.

Through projected processing investments, an estimated 12,000 direct jobs will be created—half of them done by women—which will contribute to achieving the government’s 2020 goal of cutting poverty in the country’s north from 70 to 35 percent.

Other important beneficiaries will be cashew processors, storage facility owners, and traders who will access new technology, training to improve quality and environmental and social standards, investment and working capital, and links to new markets. These processors’ size will range from medium to large, with a processing capacity of 3,000 to 10,000 tons per year.

Public institutions should benefit too from better managing and regulating the cashew industry, and banks should gain from understanding the opportunities and needs across the whole cashew value chain.

The project focuses on increasing integration of the cashew value chain in Côte d’Ivoire for two reasons: (a) poverty is more prevalent in the Northern part of the country where cashew production is primarily located; and (b) the cashew value chain is clearly a key source of growth that can generate inclusive rural employment through both farming and rural industrialization.

—Simeon Ehui, World Bank Agriculture Global Practice Director

WHAT IS MFD?

Achieving the Sustainable Development Goals to end extreme poverty by 2030 will require about $4.5 trillion annually, far more than multilateral development banks or donors can provide by themselves. To face this challenge, the World Bank Group adopted the MFD approach, which entails working with governments to crowd in the private sector while optimizing the use of scarce public resources. This approach is guided by the Hamburg Principles adopted by the G20 in 2017 and builds on the substantial experience across the institution.