On September 24 2019 the African Cashew Alliance in collaboration with BeninCajù hosted an Access to Finance workshop in Cotonou, Benin with the **objective of identifying solutions to improving access to financing to the cashew processing sector**.

Below is an **overview of the recommendations identified** during the afternoon breakout sessions

Recommendations from Financial Institutions to Cashew Processors

1 Understand that banks are a profit-driven business and have negative experience working with the sector

2 Have a robust business plan you can defend; respect the terms of the financing contract

3 Create a sustainable organization with good governance

Recommendations from Cashew Processors to Financial Institutions

1 Have a better understanding of the sector and its cash cycle

2 Cost of credit (including any applicable fees) should not exceed 10%

3 Diligently apply BCEAO regulations on receipt of foreign funds to encourage fair competition for buying RCN

Recommendations from Financial Institutions to Cashew Processors

1 Understand that banks are a profit-driven business and have negative experience working with the sector

- *Banks are not a charity*, rather a *profit-driven business* with the aim to maximize returns by minimizing risks to the extent possible.
- Banks have *internal processes to respect*. Loan officers are required to pitch the viability of a potential borrower to an internal credit committee, which is especially challenging given the average loan default rate in Benin is 23.5%, higher than the UEMOA average of 12.5%
- With the *largely negative experience* in lending to cashew processors in the last 2-3 years, banks have to proceed with even more caution

2 Have a robust business plan that can be defended and respect the terms of a financing contract

- Entrepreneurs *fail to respect conditions* of a financing contract by diverting funds destined for buying raw materials towards other activities (trading, side business etc.), or using returns generated from a given loan to re-invest in an unrelated side-business instead of reimbursement.
- Entrepreneurs submit less than optimal business plans, without being able to effectively *demonstrate their network of buyers and suppliers,* or *defend information* provided, at times taking offence when asked for further details

3 Create a sustainable organization with good governance

- Overall Management and Governance at cashew processors can be minimal or lacking, including ability to demonstrate an organization structure, and policies and procedures for supply chain management and financial management.

Recommendations from Cashew Processors to Financial Institutions

1 Have a better understanding of the sector and its cash cycle

- Processors noted that loan officers did not necessarily have a full understanding of the nature of the cashew sector, leading to financing terms and disbursement structures misaligned with the natural cash cycle of a cashew processor. For example, loans may be disbursed after the optimal RCN buying season of December/January, repayments may be requested starting 3 months after the first disbursement.

2 Cost of credit (including any applicable fees) should not exceed 10%

- Given the thin margins of a cashew processors business, 10% is the maximum cost of credit with which to run a profitable operation. This cost of financing should include any applicable fees charged in addition to the interest rate.
- The high cost of credit also makes it difficult for local operators to compete with international processors, who are able to secure financing at much lower rates

3 Diligently apply BCEAO regulations on receipt of foreign funds to encourage fair competition for buying RCN

- Processors noted that the BCEAO regulations on declaring the buying of RCN to comply with the national commodity policy is not applied in a diligent and fair manner to foreign processors, leading to unfair competition practices.