Warehouse Receipt System Reform Initiatives In Africa
LESSONS AND EXPERIENCES FROM THE WORLD BANK GROUP

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AGENDA

• Introduction to Warehouse Receipt Systems
• Our approach to WRS
• Ongoing initiatives in Cote d’Ivoire, Kenya, Malawi and Senegal
• Lessons learned
WAREHOUSE RECEIPT SYSTEMS: HOW DO THEY WORK?

1. Depositors (producers, cooperatives, traders, processors)
2. Licensed warehouse operators
3. Financial institutions
4. Market (traders, processors, distribution networks)

- Commodity
- Receipt
- Financial flow
Access to finance in the agribusiness sector is often the lowest in many developing economies:

- Beyond high levels of informality, one of the primary barriers to increased access to finance is the inability of banks to secure reliable collateral for lending in the sector.

Agricultural finance typically revolves around three main options:

- Mortgages over farmland;
- Equipment mortgages / leasing; and
- Charges or pledges over post-harvest production

The first two are the most significant in developed countries but are often out of reach in developing countries, leaving lending against stored goods as the only viable option to extend financing to the agribusiness sector.
WAREHOUSE RECEIPTS SYSTEMS

Warehouse receipts systems (WRS) help create a framework for moveable collateral on stocks owned by farmers, traders & processors but held in licensed warehouses.

Countries establishing a WRS are in a position to improve access to agricultural credit and professionalize agricultural storage, which are critical to:

- Reduce post-harvest losses;
- Improve the stability of market prices;
- Ensure food security; and
- Encourage formalization of businesses in the agribusiness sector.
OUR SUPPORT TO THE INTRODUCTION OF WAREHOUSE RECEIPTS SYSTEMS

The World Bank Group, through its Trade and Competitiveness (T&C) Global Practice, provides technical assistance to policy makers to introduce appropriate legislation and institutional frameworks to implement warehouse receipts systems.

The legal and regulatory work done by T&C often complements:
- The support provided to banks by the IFC and its Global Warehouse Finance Program;
- The efforts made by the Financial Markets Global Practice on introducing Secured Transactions regimes; and
- The assistance given by the Agriculture Global Practice to primary agricultural production.
OUR APPROACH

WRS readiness assessment

WRS Reform Project

Legislation & regulation

Sensitization & training

Trading platform

Warehouse industry support
OUR APPROACH – WRS READINESS ASSESSMENT

Different paths lead to success when implementing WRS in Sub-Saharan Africa:

- Contract based systems like South Africa (millions of tons a year) vs legal and regulatory systems like Ethiopia or Tanzania (hundreds of thousands tons each)

Yet, similar paths can lead to failure, so we carry out readiness assessments to ensure that certain critical conditions are met regarding the:

- Commodities likely to be used
- Potential users of the system
- Warehousing industry
- Financial institutions
- Institutional capacity
- Financial viability of a WRS
OUR APPROACH – IMPLEMENTATION (1/2)

Provide technical assistance to introduce appropriate legislation and regulation to:

- Create the legal instrument “warehouse receipt” that constitutes a document of title to goods deposited in a warehouse
- Define issuers of warehouse receipts and determine their responsibilities towards warehouse receipt holders, as well as their lien
- Define the conditions and repercussions of the negotiation and transfer of warehouse receipts

Provide technical expertise and assistance to the WRS regulatory unit during its start up phase
Support the warehousing industry by:

- Developing operational guidelines for supervised private warehouse operations
- Providing assistance to warehouse operators to strengthen their operations
- Mobilizing and facilitating private sector investment in improved storage facilities

Engage stakeholders to explore options for a warehouse receipt trading platform
Cote d’Ivoire

Progress to date:
• Project launched in 2013
• WRS Bill drafted by the stakeholders working group and in the Government’s hands
• Sensitization events to raise stakeholders’ awareness of the WRS
• Ongoing assessment of warehousing capacity in the country

Specificities and partnerships:
• Cashew value chain chosen as a pilot for the WRS as part of a comprehensive WBG program to develop the value chain

Current challenges:
• Secure funding for conducting activities beyond legal and regulatory reform
• More efforts needed to raise awareness and secure the support of stakeholders with vested interests in the status quo
• Harmonization of good practice WRS laws and the Ivoirian and OHADA legal environments
ONGOING INITIATIVES (2/4)

Kenya

Progress to date:
- WRS Bill endorsed by Cabinet and before Parliament for deliberation
- 2,000 depositors in 14 pilot warehouses
- 5 banks participating and lending against receipts: 4 million USD in the pilot phase
- Capacity building of WRS stakeholders: operators and financial institutions
- Ongoing study on the impact of warehouse receipts reform on structured trade and lending

Specificities and partnerships:
- Partnership with the East African Grains Council, which is leading the pilot
- Collaboration with AGRA and Financial Sector Deepening

Current challenges:
- Exploring arrangements (e.g. PPPs, long-term leases) with the Government to make state-owned warehouses in strategic locations available to the private sector to scale up the WRS
- Emerging issue of high cost of credit being a significant deterrent to farmers’ participation
Malawi

Progress to date:
• Project launched in 2014
• WRS Bill drafted and being formatted for Parliament reading
• Practitioners’ guide developed to guide parliamentarians and future users
• Study tour to South Africa and India to learn more about the operationalization of WRS and commodity exchange

Specificities and partnerships:
• Partnership with the Agricultural Commodity Exchange for Africa (ACE) and the Action Holding Commodity Exchange (AHCX) that will link the WRS to their exchanges
• Collaboration with USAID, GIZ and the EU

Current challenges:
• Secure funding and support for a comprehensive program beyond legal and regulatory reform
Senegal

Progress to date:
- Project launched in 2014 with a pilot on the rice sector
- Creation of public private working group on WRS
- Ongoing drafting of the WRS Law
- Sensitization activities have started with future WRS stakeholders: depositors, warehouse operators, financial institutions

Specificities and partnerships:
- Financial support from the FIRST Initiative, GAFSP and the Government of Japan
- Collaboration with USAID Economic Growth Project on a warehouse financing information system

Current challenges:
- Important efforts are needed to raise awareness and understanding of warehouse financing
- Harmonization of good practice WRS laws and the Senegalese and OHADA legal environments
- Institutional capacity constraints
## ONGOING INITIATIVES – OUR TEAM

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LESSONS LEARNED (1/2)

Warehouse receipt systems are both simple on paper and difficult to successfully implement in practice…

…Vested interests need to be overcome and a wide variety of stakeholders need to mobilized to gather support for reform…

…As a result, modes of implementation may vary in each country to build momentum for reform:

- Specific value chains were chosen as pilots in Cote d’Ivoire (cashew) and Senegal (rice)
- WRS is being developed in close partnership with the East Africa Grains Council in Kenya and with the two commodity exchanges operating in Malawi
LESSONS LEARNED (2/2)

Legal and regulatory reform is a great opportunity to...
- Engage stakeholders, build their understanding of the WRS and get them excited
- Create legal instruments and practices to make the system secure

... However, many other challenges need to be addressed to ensure a WRS’s success...
- Provide market transparency and clear outlets for stored goods
- Promote adequacy of the storage infrastructure and trust of market players in storage practices

...Which is an incentive to implement more comprehensive programs and to combine forces with others
- Include components on sensitization and training, assistance to the warehousing industry and trading platforms into WRS reform projects
- Seek to build alliances with partners in country and with other donors
THANK YOU!

For more information, please do not hesitate to contact:

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