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Q1: Respondent details

Name	David Ivanovic
Organization	World Bank Group
Email Address	Divanovic@ifc.org
Phone Number	5774 +8526

Q2: Country or Customs territory

SENEGAL

Q3: Organization

Other (please specify)
 The World Bank Group (WBG) consists of five international organizations: the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Centre for Settlement of Investment Disputes (ICSID).

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Q4: Title of case story

Senegal - Warehouse Receipts Financing Reform Initiative

Q5: Case story focus

Trade Facilitation.

Q6: Case story abstract

Access to finance remains one of the challenges of agriculture in Senegal due to an acute shortage of collateral needed to obtain bank loans. In Senegal, the World Bank Group is helping unlock the collateral value of inventories that farmers, traders, and processors manage by establishing a warehouse receipt system (WRS) to help ease the credit constraints on smallholder farmers. A warehouse receipt is a document issued by a warehouse operator to a named depositor as evidence that specified commodities of stated quantity and quality have been deposited at a particular location. The WRS mechanism allows agricultural commodities to be used as collateral. The measure is expected to benefit some 2,500 farmers, millers, and traders within three years of project completion and to unlock a minimum of \$2.5 million annually in credit to the agricultural sector, with rice selected as the pilot commodity.

Q7: Who provided funding?

Bilateral donor, Multilateral organization,

Other (please specify)

This project is supported by the World Bank Group's Trade & Competitiveness Global Practice, IFC, the Governments of Canada and Japan, USAID, and by the donors to the Facility for Investment Climate Advisory Services (FIAS) Trust Funds. The Government of Senegal has also made a financial contribution for the project implementation, highlighting a substantial commitment from the national authorities.

Q8: Project/Programme type

Single country

Q9: Your text case story

- The origin of the project

In Senegal, agricultural production has grown substantially over the past decade and is expected to grow by 7 percent annually over the coming years, increasing its share of GDP from 16 percent to 22 percent by 2020 (USAID, 2012). Despite this growth, the country still relies on food imports to meet the majority of its domestic consumption needs due to a rapidly expanding population and a heavy reliance on cereal consumption. For example, despite rice production having grown nearly eightfold, from 80,000 MT in 1960 to more than 630,000 MT in 2012, Senegal still imports approximately 1 million MT of rice per year—a trade deficit of about \$450 million.

Some of the main challenges in addressing this food security gap are low usage of quality inputs, poor mechanization levels, inadequate farming and business skills, and deficient storage, road, and market infrastructure. Overarching these issues is the limited availability of credit in the agriculture sector. Less than 5 percent of the formal credit in Senegal goes to the agriculture sector—this in a country in which 60 percent of the population lives in rural areas and three quarters depend upon agriculture for a living. The banking system is unfamiliar with sector risks and is constrained by the limited and encumbered fixed assets that could be used as collateral. These problems are not limited to farmers. Moving further along the value chain, processors and traders, who depend on farmers outputs, need working capital to procure the products that will be processed or commercialized. Unlocking the collateral value of inventories that farmers and traders manage (i.e. warehouse receipts financing) would clear the first hurdle to relieving access to credit constraints.

- How the project was designed

The United States, Ethiopia and India are just a few examples of the many countries that have successfully implemented warehouse financing reforms over the course of their history, creating opportunities for farmers, processors, and traders to obtain financing using warehouse receipts as collateral.

In Senegal, IFC signed an agreement in 2014 with BICIS Bank, an affiliate of BNP Paribas in Senegal, under the Global Warehouse Finance Program to support warehouse finance operations. During project preparation, inputs obtained from farmers, SMEs, traders, banks, insurance companies, collateral management companies, key government ministries, and international partners pointed to the need for a more systemic solution grounded in a national warehouse receipts regulatory framework. Such framework would focus on building trust between the financial sector and agriculture, and increasing credit opportunities for agricultural value chain actors.

The project revolves around five components: (i) the development of a legal and regulatory framework for warehouse receipts, including operational guidelines on warehouse quality, inspections, grading, and commodity standards; (ii) assistance during the start-up phase of a warehouse receipt authority; (iii) sensitization and training activities for the different end-users and financial institutions; (iv) support to the warehousing industry through the assessment of existing storage infrastructures to determine the necessary investments to rehabilitate or build new warehouses that will meet WRS requirements; and (iv) stakeholder engagement for a warehouse receipts trading platform in order to provide enhanced opportunities to value chain actors participating in the system.

The rice sector has been selected as the pilot for WRS because of its strategic socio-economic importance in the country, growth potential in terms of both supply and demand, as well as lower perishability in comparison to other agricultural products.

- How the project has been managed and who has participated

The Ministry of Commerce of Senegal has requested support from IFC to implement a warehouse receipt system, and has been taking a lead role within the government, as witnessed by the creation of a WRS cell within the Ministry and the cash contribution made IFC to support activities on the ground. The government of Senegal acknowledged the importance of the WRS, not only as a mean to increase access to finance in the agricultural sector, but also to better structure agricultural value chains and improve market opportunities of locally produced commodities.

A taskforce drawn from key stakeholders, including value chain actors, financial institutions, collateral management companies and ministries (commerce, agriculture, economy and finance), was established to initially work on developing the WRS legal and regulatory framework, a process supported by international and local WRS law experts. This public-private dialogue has played a central role in raising awareness among all players on the opportunities and challenges linked to this new financial mechanism in Senegal, and developing a strategy to promote its adoption by both the banking and agricultural sectors. The taskforce continues to play a central role in the project, as highlighted by a recent study tour in India where Senegalese stakeholders had the opportunity to interact with public and private actors involved in warehouse receipts.

- What the project sought to achieve and short and medium-term outputs and outcomes

The overall project objective is to support increased access to finance to value chain actors in the agricultural sector of Senegal, favoring the development of better storage facilities and building capacities of private and public stakeholders. One of the key outputs will be the adoption of the warehouse receipt legislation and regulations, and an increase of number of farmers using WRS to store goods and access credit.

The WRS bill and regulations have been completed and were submitted in August 2016 to the government for adoption. A number of sensitization activities have been conducted geared towards farmers and the banking sector, and a study tour to India has been organizing to better understand the market dynamics and underlying factors behind the WRS.

The project aligns with strategic priorities of the World Bank Group in general and IFC and T&C in particular. These include: (i) focus on an IDA country; (ii) contributing to raising the incomes of rural households by promoting access to finance and access to markets for agricultural value chains; (iii) contributing to developing local financial markets by increasing capacity to introduce the new products to manage risks; (iv) fostering enterprise creation and growth; and (v) unlocking sustainable investment in key sectors, including agribusiness. The WRS project stands to deliver benefits beyond increased access to finance. The introduction of WRS mechanisms supports increased competitiveness of the agricultural sector and increases trade opportunities for value chain actors.

- Expected medium- and long-term impacts

By allowing agricultural commodities to be used as collateral, the program is expected to benefit some 2,500 farmers within three years of project completion and to unlock a minimum of \$2.5 million annually in credit to the agricultural sector, with a specific focus on rice as the pilot commodity. Ultimately, this warehouse financing mechanism is to be extended to other agricultural products, including groundnuts and other semi-perishable commodities.

Q10: Lessons learnt

Worldwide experience shows that private sector drive is the key ingredient to success in the establishment of a functioning WRS. Furthermore, the more successful countries all have implemented private sector-led pilot WRS initiatives prior to having adequate legislation in place. Both ingredients are present in Senegal, which bodes well for the long-term success of this program.

Experience in Africa, especially in Tanzania and Zambia, suggests that where large-scale farmers and traders don't exist or where farmers are not well organized, the focus should be on capacity building of farmers' organizations to promote collective marketing in order use the WRS.

Beyond financial instruments, warehouse receipts can make agriculture more competitive and offer better commercial opportunities to farmers, as witnessed in India, South Africa or the United States—where a WRS has been in place since the late 19th century. This is especially crucial for Senegal, where a good number of agricultural commodities are imported, such as rice. Structuring value chains by providing better chances to access not only credit but also professional storage services that will guarantee both the quantity and quality of the products is one of the outcomes expected from the WRS.

The intervention in Senegal is going beyond introducing a legal and regulatory framework and conducting sensitization campaigns. Addressing the gaps in storage facilities availability and quality is crucial, and mobilizing both public and private investments is necessary to make the financing mechanism sustainable and profitable.

Sensitization of all actors is paramount for the successful introduction of the WRS in Senegal. Having the banks on board is central since they will ultimately decide whether to finance based on a warehouse receipt. Equally important are the producers and traders who will decide whether to deposit their commodities in a warehouse managed by professionals. Processors will also need to understand why a WRS can be beneficial for their activities, as centrally stored agricultural products will need to meet their processing requirements in terms of volumes and quality.
