

**FEASIBILITY STUDY FOR A REGIONAL
WAREHOUSE RECEIPT PROGRAM**

for

MALI, SENEGAL AND GUINEA

By

**Mark D. La Grange
Consultant**

**Abt Associates Inc.
4800 Montgomery Lane, Suite 600
Bethesda, MD 20814**

October, 2002

Table of Contents

Acknowledgements-----	2
Summary-----	2
Introduction-----	3
Definition of Warehouse Receipts-----	3
1. Negotiable Warehouse Receipts -----	3
2. Nonnegotiable Warehouse Receipts -----	3
3. Collateral Warehouse Receipts -----	3
4. Trust Receipts -----	4
What makes up or is on the face of warehouse receipt-----	4
Where Warehouse Receipts Can Be Used-----	4-5
Consultants Schedule-----	5
Key Considerations affecting the viability of warehouse receipts in Africa---	5-6
Trust-----	5
The legal system-----	5-6
Management – Inspection – Technical -----	6
Warehouse receipt experience in Mali-----	6-7
Program failure in Mali-----	7-8
Features required for warehouse receipt program to be successful	7-8
Warehouse receipt experience in Senegal-----	8-9
Restraints for warehouse receipt program in Senegal-----	9
Products to be considered for Senegal’s warehouse receipt program-----	10
Republic of Guinea overview -----	10
Constraints in Guinea for warehouse receipt program -----	11
Legal system in Guinea-----	12
Banking and Financial institutions in Guinea-----	13
Recommendations-----	13-15

Resources required to develop the program-----	15
Implementation Plan (Next Steps)-----	16
Appendix I, List of people met-----	17

Acknowledgments

I would especially like to thank Richard Cook of USAID’s CAE project in Bamako, Mali and Madi Cheick Drame of USAID/Mali. Souleymane Nimaga, a trader in Mali, also offered direction and assistance during my work in Mali.

I also would like to acknowledge the effort by Moustapha Gaye in Senegal in setting up the necessary appointments and Mohamed Lamine Fofana of USAID in Guinea.

Preface

The consultant is experienced in utilizing warehouse receipts as a producer and in trading activities for over 25 years in the private sector. This experience has developed his understanding of how warehouse receipts are to function efficiently and properly for producers, traders, processors and banking institutions.

This assignment included twenty days in West Africa, including:

- 8 days in Mali
- 7 days in Senegal
- 5 days in Guinea

Although it was hoped that a knowledgeable local counterpart consultant could be identified to work with the author, this did not take place. As suggested in the report, follow-up investigations of the legal and regulatory framework, using a regionally-based (Francophone) lawyer, could yield additional insights.

Executive Summary

The purpose of this assignment was to complete a feasibility study for a cross-border warehouse receipt program between Mali, Senegal and Guinea. This paper will identify the objectives and benefits for producers, traders, processors and commercial banking institutions from such a scheme. The author discusses the major obstacles that must be addressed and overcome for a successful warehouse receipt program (WRP) to be implemented. The study also addresses the licensed warehouse receipt program as an integral part of the marketing and financial systems within the three countries, targeting agricultural commodities and non-agricultural materials where applicable. Finally, the study addresses the requirements for adopting a warehouse receipt program to facilitate an efficient cross-border trading system among these three countries.

The underlying objective of a WRP is to make smallholders, most currently cultivating 1-3 hectare farms, behave more commercially, moving in the direction of producer/entrepreneurs with larger holdings. The program would also develop small and intermediate traders into larger, more versatile entrepreneurs, expanding their operations from localized trade to regional cross-border trading (and in some cases, international export markets). The program would provide support for processors to improve product quality and expand value added in production and handling. The program must develop a strong and viable support system among the financial institutions (banks) to be successful. This would be accomplished by identifying (or creating) a service provider that will attract widespread trust among financial institutions.

The overall efficiency of markets, particularly in the agribusiness system, is greatly enhanced when producers and commercial entities can convert inventories of agricultural raw material, intermediate products, or finished products into readily tradable products. Warehouse receipts are negotiable instruments that can be traded, sold, swapped, and used as collateral to support borrowing.

Developing countries such as Mali, Senegal and Guinea lack the appropriate legal, regulatory and institutional environment to support a warehouse receipt program in the short run. Educating and developing integrity and trust among the commercial banking community will be a major challenge. The three countries' agricultural production and marketing systems are largely informal and fragmented, with the majority of the production coming from smallholders cultivating 1–3 hectares per farm. The ability to grade and separate commodities and provide quality goods and maintain a consistent flow of product will be difficult to achieve. The informal and non-commercial nature of the market and the absence of significant private storage have contributed to large price swings for major agricultural commodities within Mali, Senegal and Guinea. Developing trust between smallholders, processors, traders and financial institutions will only be accomplished when strong legal systems and financial guarantees are put in place in these countries.

1. Introduction and Description of the Features of a Warehouse Receipt Program

This report will address issues that affect the viability of warehouse receipt programs and offer recommendations for establishing and implementing a viable program.

1.1 Definitions of Warehouse Receipts:¹

There are four basic types of warehouse receipts; negotiable, non-negotiable, collateral and trust receipts.

1. **Negotiable Warehouse Receipts.** A negotiable warehouse receipt is a receipt, which states that the agricultural commodity or non-agricultural commodity referred to will be delivered to the bearer or on the order of any person named on such receipt. This type of receipt may be either insured or uninsured, and either a “bearer” or “order” type of receipt.
 - a. Bearer Receipts. Bearer receipts can be negotiated, passed from hand to hand without endorsement.
 - b. Order Receipts. Order receipts are negotiated; passed from hand to hand, by endorsement.

2. **Non-Negotiable Warehouse Receipts.** A non-negotiable warehouse receipt is a receipt upon which is stated that the agricultural commodity or non-agricultural commodity referred to is to be delivered to a named party and may be either insured or uninsured. The receipt cannot be negotiated, but can be transferred by assignment.
 - a. Assignment. Assignment is the transfer of rights from one party to another. This is usually a written contract. The transferee should immediately notify the warehouse operator of the transfer and obtain a new non-negotiable warehouse receipt.
 - b. Forwarded Grain. A non-negotiable warehouse receipt should be issued when a warehouse receives forwarded grain. These receipts should be clearly marked “NOT NEGOTIABLE” across the face of the receipt.

3. **Collateral Warehouse Receipts.** Collateral warehouse receipts are receipts issued by a warehouse operator to himself or herself to enable him/her to use company-owned grain or a non-agricultural commodity in store as loan collateral.
 - a. Licensed Warehouses. The quantity and quality of company-owned grain or non-commodity must be sufficient at the time collateral receipts are issued. Collateral warehouse receipts are an obligation and must be recorded under warehouse receipt obligations. Warehouse receipts used as collateral must be issued to the warehouse operator and endorsed over to the lender.

4. **Trust Receipts.** A trust receipt is an instrument issued by the warehouse operator to replace a warehouse receipt during the transition period when a previously

¹ Definitions provided by the USWA – United States Warehouse Act.

stored product is being prepared or loaded for delivery. These receipts are not negotiable.

- a. Delivery/Encumbrance. Trust receipts replace warehouse receipts during delivery, since all warehouse receipts must be in the warehouse operator's possession and canceled before delivery can take place. They are used when the original warehouse receipted product has been either partially or fully encumbered to a third party by the original owner or endorsee.
- b. Releasing Receipts. If warehouse receipts are released on trust receipts, this fact and the date of release should be indicated on the face or reverse side of the warehouse receipt.
- c. Discharging Trust Receipts. A specified time, usually 20 days, is allowed to discharge the trust. The trust receipt is discharged by the return of certain documents providing evidence of product delivery.
- d. Trust Receipt Corroboration. The warehouse examiner should corroborate the accuracy of the trust receipts by, on occasion, visiting the custodian about how these trust receipts are handled.

1.2 What is on the Face of a Warehouse Receipt?

The following information is shown on the face of a warehouse receipt:

- Kind/type of product
- Product quality (grade)
- Quantity of the product
- Owner of the (deposited) product
- Location where product is stored
- Whether or not the product is insured
- The terms and conditions of the storage contract between the farmer, trader or processor (all depositors) and the warehouse operator are also an important feature of a warehouse receipt.
- The storage charge

1.3 Where Warehouse Receipts Can be Used

The potential benefits of a well-functioning licensed warehouse receipt system, as found in industrial countries, make it worthwhile to try and overcome existing constraints in West Africa. Listed below are some of the major benefits these countries would realize:

- Warehouse receipts can be used by farmers, smallholders and cooperatives to finance production;
- Processors will receive better and more consistent quality and can finance inventory;
- Collateralizing inventories will increase availability of credit, reduce cost, and mobilize external financial resources;
- Warehouse receipts contribute to the creation of cash and forward markets, thus increasing competition;

- Warehouse receipts allow a transaction to take place informally or on an organized market or exchange. The warehouse receipt is the basis for a spot² or cash market³;
- Warehouse receipts can be combined with price hedging instruments;
- Warehouse receipts increase the confidence of participants, particularly those in the private sector, in market transactions.
- Warehouse receipts programs can increase productivity and the quality of commodities produced by smallholders;
- Warehouse receipt programs provide concentration and accumulation of products at one point, attracting more buyers. The more buyers in the marketplace, the keener the competition, resulting in higher prices being paid;
- Warehouse receipt programs provide governments the opportunity to purchase stored commodities to offset shortages caused by a crop failure;
- Strengthening of commodity and non-agricultural commodity marketing systems by allowing owners of inventories to borrow abroad in currencies for which real interest rates are lower. High interest rates are linked to high risk. WRP reduce risk that will lead to lower interest rates;
- Exporters can gain pre-export financing against warehouse receipts under the terms of their documentary credits, thus assisting them to procure stock;
- Importer wishing to finance a large consignment of imported commodities or non-commodity items, the importer is able to “draw down” on his goods as he reimburses the bank; and
- A correctly structured WRP provides secure collateral for banks by assuring holders of the existence and condition of agricultural or non-agricultural inventories “sight unseen” (without the need to personally inspect those inventories).

Warehouse receipt programs are an effective means for facilitating and managing transactions for a wide range of commodities such as fertilizer, cement, lumber, electrical wiring, finished steel products, electric motors, grain bins, and tobacco. However in economies such as those examined in this report, the greatest benefits to the largest number of potential participants will accrue by focusing in the first instance on agricultural products, the backbone of West African economies.

2. Key Considerations Affecting the Viability of Warehouse Receipts in Africa

2.1 Trust and a Supportive Legal Environment

Trust is the major cornerstone for the success of a warehouse receipt program. One of the most difficult keys to overcome is establishing 100% support from the financial institutions. Trust must be supported by an appropriate legal environment.

The single most important constraint regarding the creation and acceptance of a warehouse receipt program in Mali, Senegal and Guinea is the weak legal system. Key informants noted that laws were in place, but they either have never been tested or they

² Market for immediate delivery of the product and immediate payment

³ Market for the cash commodity taking form of : (1) organized, self-regulating central market (2) a decentralized over-the-counter market (3) local organization which provides a market for a small region.

are non-operational and not enforced, due to corruption in the courts. Even if laws were applied, it might require 2 to 3 years to resolve disputed cases. Clearly, an in-depth review of the legal and judicial system is required, by a specialist familiar with Francophone law, to specify what the most binding legal constraints are and what steps are required to strengthen the legal environment. Such a review could perhaps be best done by a West African attorney.

A strong consensus, emerging from a multitude of interviews with financial institutions, traders, and warehouse managers, is that a new law on collateral must be put in place where warehouse receipts are defined as instruments to facilitate agricultural commodity and non-agricultural commodity trade with the following general guidelines:

- Warehouse receipts must be functionally equivalent to stored commodities;
- The rights, liabilities, and duties of each party to a warehouse receipt (for example, a farmer, a bank, or a warehouseman) must be clearly defined;
- Warehouse receipts must be freely transferable by delivery and endorsement;
- The holder of a warehouse receipt must be first in line to receive the stored goods or their fungible⁴ equivalent on liquidation or default of the warehouse receipt;
- There is a specified time period not to exceed one year, in which the commodity is accepted for storage under the warehouse receipt program;
- The integrity of the warehouse receipt system must be assured by an indemnity fund – guarantees against non-performance – that is sufficiently well-funded, of unquestionable integrity, and accepted by the trade and financial institutions within these countries;
- An exact licensing system, establishing certification of private warehouses to issue warehouse receipts.

A special warehouse receipt act by each country is probably required to complete the legal foundation necessary for an effective warehouse receipt program.

In addition, important features of a strong supporting legal system would be:

- Strong contract law—inviolability of contracts.
- A strong, independent judiciary that enforces contracts and resolves disputes quickly and efficiently.

2.2 Improving Quality and Grading

Targeting small farmers producing mainly low-to-average return commodities (i.e., millet and sorghum) in West Africa can be a recipe for disaster in a Warehouse Receipt program. To resolve the problem, a focus on establishing associations or cooperatives of smallholders in rural areas is needed in order to ensure consistent grades and an adequate flow of product into the licensed warehouses.

⁴ The characteristic of interchangeability of commodities due to standardized specifications.

The majority of higher-value commodities, such as rice, corn, groundnuts, certified seed and cashews, also comes from smallholders cultivating 1-3 hectare farms. This patchwork of smallholder farms tends to feature an unacceptably wide range in product quantity and quality delivered to the warehouse. Upgrading the quality of product delivered will require the following:

- Establishing precise standards for each product with extensive workshops throughout the production areas with producers and traders. Then educating small farmers and traders on the standards;
- Testing and grading of all products, with discounts applied to substandard products received;
- Cleaning of commodities received, with charges reflecting real costs of providing this service;
- Re-bagging or packaging of commodities received with charges reflecting services provided; and
- Strict separation in storage according to grades and standards set forth by the licensed warehouse.

2.3 Private Financing

In the U.S. the privately owned, licensed warehouses are required to have a net worth of at least \$0.25 times the warehouse capacity (in bushels). However, no person may be licensed or remain licensed unless they have an allowable net worth of not less than \$50,000 and not more than \$500,000, and they must be approved by and acceptable to Farm Service Agency.

The private warehouse computes the financial insurance at a rate of \$0.20 per bushel (\$7.86/mt of maize) for the first million bushels of storage space (40,000 mt of maize) This rate then goes to \$0.15 for the second million bushels of storage space (\$5.90/mt of maize). A private licensed warehouse must have insurance for all or any of the products stored in their facility. In many countries the bonded requirement is handled by government or a world-class reinsurance group.

3. Study Country Experiences with Warehouse Receipt Systems

3.1 Mali

3.1.1 Existing System and its Limitations

Mali has an informal warehouse program that is referred to as “Tierce Detention,” or storage of private stock in a third-party warehouse system. The Central Bank of West Africa requires the separation of warehouse ownership from the trader or bank. This appears to be the only formal stipulation. No one knew of any formal laws that were in place. If there were laws, taking into consideration the corruption of the court system, they were totally ineffectual.

“Tierce Detention” works as follows:

- The client will pay the warehouse owner storage and handling fees for an agreed period of time.
- The client will go to the bank and borrow against the existing stock, receiving only 10 to 20 percent of the value with the bank holding 100% of the collateral. (As one Malian trader stated: “the banks have the advantage.”)
- When the client wants to sell a partial amount of the warehoused goods, the client must obtain a release from the bank, which is very slow and costly .

This program has failed in Mali due to several factors:

- Inadequate technical and management systems to ensure good product quality in storage, as commodities/goods deteriorate in storage.
- Poor inventory management and control, where products have vanished by the time goods are to be collected and removed from storage.
- No grades or standards established for the goods.
- No apparent or well-known (transparent) legal system in place to regulate and enforce compliance with the program.
- During the last two to three years there has been an extreme price volatility in Mali caused by:
 1. Food Aid programs and subsidized importation of commodities, particularly grains, leading to plummeting prices and declining production.
 2. Because of the informal market and the lack of trust by the smallholders for storage of commodities in private or government warehouses.
 3. Accessibility of stock and difficult transportation to processing centers.

Many of the successful intermediate and large traders own their own warehouses to take advantage of strong cross-seasonal price swings, purchasing commodities at harvest time (low prices) from smallholders and intermediate producers and selling when the commodity prices are high. While these operations may currently appear to de-stabilize the market, more commercial storage, including a system of warehouse receipts, would in fact moderate price volatility.⁵

3.1.2 Steps Required to Establish a Successful Warehouse Receipt Program

Improvements and steps required for a warehouse receipt program to be successful in Mali are as follows:

- Establish and enforce rules and regulations that will rapidly and decisively eliminate the “dysfunctional” legal and financial systems that are in place today.

⁵ For example, at harvest time yellow corn sold for \$ 125.00/mt (CFA 73,750/mt approximately), while the price had risen in 3 months to \$550.00/mt (324,500 CFA/mt approximately). Some of this extreme price swing was due to extenuating drought conditions throughout the region.

- There must be a concerted effort to improve the rural road system in Mali, linking agricultural production areas to key distribution towns. There is a need to repair and replace bridges on major roads feeding the regional markets of Guinea and Senegal.
- The railroad system is in a deplorable condition. There has been talk about repairing the railroad system for over five years, yet there still is no rehabilitation program in place.
- Make agricultural inputs available on a consistent basis to the smallholders. Provide improved inputs, such as better quality seed and fertilizers. Providing quality inputs are important to obtain consistent production levels of rice, maize, millet, sorghum, groundnuts, and cotton in Mali.
- Bankers and traders interviewed in Mali felt that a warehouse receipt program is badly needed and would be extremely beneficial, particularly for cross-border trading with countries such as Guinea and Senegal. Several major traders suggested countries like Ghana and Togo should also be considered as participants.
- The products Malians would like for the warehouse receipt program would be maize, sorghum, millet, rice, livestock, dried fish, and vegetables. (To consider perishable goods such as vegetables and livestock will be in the future, after the Warehouse Receipt program has established a successful track record for grains in the country.)
- Licensed Warehouses should be located in Bamako, Kayes, Mopti and Sikasso. There are two major warehouses established in Mali: (1) AUXIGAGES (2) SOGEMAG and according to the managers there are plenty of warehouse facilities available throughout Mali's major towns. (The existing facilities would require renovation and new equipment installed to maintain a licensed warehouse. This would not require building new, expensive facilities for the Warehouse Receipt program).

3.2 Senegal

3.2.1 The Existing System and its Strengths

Senegal seems to have a more structured marketing system than Mali or Guinea. Policy, macro-economic and institutional support provides a more stable base for the success of a warehouse receipt program in Senegal. Senegal emanates stronger financial and monetary stability with relatively low interest rates that are fairly predictable. The founding of over 20 credit unions by and for farmers under UNACOIS has been relatively successful. The government recognizes that food aid and subsidized commodities from Western Europe have caused price distortions in domestic agricultural markets and a decline in production. The government has already put in place controls to alleviate this problem.

Agriculture (and downstream agribusiness) are the main industries in Senegal. Cotton and peanuts (groundnuts) are the main agricultural crops and represent an import source of foreign exchange for Senegal. Other major crops are maize, rice, and sugarcane.

Senegal has significant livestock production, with rapid development of the poultry industry both in the layer and broiler sectors. This will stimulate increased maize and sorghum production in Senegal.

The level of market sophistication among smallholder producers in Senegal is greater than in Mali and Guinea. This is a great asset for the transition from an informal to a formal marketing system in rural areas. Senegalese financial institutions are aware of the need and benefits of a licensed warehouse receipt program and are highly supportive. There are also good telecommunications in Senegal that will make it easier to institute a system of controls throughout the country. This is very important for an efficient warehouse receipt operation.

The use of “tierce detention” (storage of private stock through a third-party warehouse system) has had some success within and around the port of Dakar. The success is attributed to the warehouses owned and operated by large European companies like (Novacen), BOLLORE and SDV and SGS. However, the service area of these companies is limited to the zone surrounding the port, serving the import and export of goods and transit of shipments regionally. Many of the existing warehouses in the port area are available and in good condition, requiring minor rehabilitation to become certified licensed warehouses. There is also a significant amount of storage throughout the country in the major agricultural production areas. Many of these units are operating at less than 30% of capacity. Note also that USAID funded grain storage programs in the mid 1970’s through the mid 1980’s that can be utilized after minor modification for use as licensed warehouses.

3.2.2 Constraints to Establishing a Warehouse Receipt Program in Senegal

Legal system: Senegal’s legal system is not as “dysfunctional” as Mali’s. On a scale from 1 – 10 (10 being the highest rating) Senegal will rank 4 -5. There is a legal system in place, but many of the laws that would possibly support a warehouse receipt program have been on the books for so long they are defunct as a legal entity.

Banking and financial institutions are very supportive and understand the benefits that a licensed warehouse system would have for the banks and the agricultural sector. However, there is a serious lack of confidence on how to establish and maintain the trust required for this instrument to function. Additionally, there is total skepticism regarding the support of the existing judicial laws that are supposedly in place to support the warehouse receipt program.

Transportation: There must be an improvement of the rural road system connecting small holder production areas to the major warehousing (rural distribution centers) areas of Senegal. Over the last couple of years groundnut production was a disaster due to the inability of the farmer’s (smallholders) production to reach the distribution centers.

3.2.3 Recommendations for Establishing a Warehouse Receipt Program in Senegal

If the above constraints can be resolved, Senegal probably has the best chance of establishing a warehouse receipt program in the three-country subregion. Products to be considered for Senegal's program include groundnuts (market grade), certified groundnut seed, corn⁶, rice, sorghum, and dried fish.

Licensed warehouses should be located in the Senegal River valley, and at Thies, Djourbel and Kaolack.

3.3 Republic of Guinea

3.3.1 The Existing System and its Strengths

In the past Guinea has been considered the "breadbasket" of the French West African region. However, the mining industry has overshadowed the agricultural sector as the main source of foreign exchange – even though most of Guinea's labor force is employed in agriculture, which accounts for over a third of GDP. Guinea has a large untrained smallholder population producing agricultural goods on 0.5 to 1.5 hectares of land per farm.

The agricultural production in Guinea can be divided into three categories:

- Exportable crops: coffee, cashew nuts, millet and rice.⁷
- Exportable perishable crops: pineapples, mangoes, bananas, and onions.⁸
- Items produced and consumed in Guinea (non-tradeables): potatoes, onions, rice, and yams.

Guinea's major commodities are rice and millet, which is heavily traded with Mali. Guinea also produces a very good quality mango that is in demand in the Western European market. However Guinean mango production is marketed by Malian traders, thus the mangoes are sold under the Mali label (as originating in Mali) into Western Europe.

The major agricultural production of Guinea is in the N'Zérékoré province. This area produces coffee, cocoa, bananas, rice, palm oil, and plantains with a majority moving into the regional markets of Mali and Senegal. The production moves North by road to Kankan province where the commodities are transferred to Malian traders. Due to unrest in Cote d'Ivoire business has increased in this market channel. The President of Guinea is building a warehouse on the border of Guinea and Mali to facilitate this trade and is repairing the road from Kankan to the Malian border.

⁶ Due to the increase in poultry production in Senegal, CNCR feels there will be a substantial increase in corn production.

⁷ There is a debate that Guinea consumes all the rice produced domestically: Several traders state they have exported rice to Senegal.

⁸ Traders stated they ship onions into Mali, Senegal and Guinea Bissau. Government officials state that Guinea consumes all the onions produced.

Banana production in N'Zérékoré province is transported by road northwest to the Labé province then transferred to the Senegal market. There is some structured trading being done around the port of Conakry, Guinea between traders and foreign companies from France and Belgium and other Western European countries. The foreign freight forwarding companies that handle these trades provide their own documentation and standards that must be followed. But this is a very limited program based at the port.

3.3.2 Constraints to Establishing a Warehouse Receipt Program in Guinea

A key constraint is that large informal smallholder sector is not trained to produce quality goods. Quality produced commodities are limited to the coastal area and do not extend into the interior of Guinea.

The **infrastructure** in Guinea is totally dysfunctional, to the point of being non-existent:

- Transportation – the road system is in a deplorable condition.⁹ Many of the production areas have no road system whatsoever (only trails). There are some passable roads from places like N'Zérékoré's northern prefecture and from Kankan prefecture to the Malian border.
- There are very few to no warehouses located in the production areas of Guinea. This is a major problem.
- The military and the police are “shaking down” the farmers trying to deliver their goods to the market. The “dash” required to transport the goods to market prices the Guinean farmer out of the market. Therefore, there has been a steady decline in production from the smallholders in Guinea.
- Fees at the airport and the port facility in Conakry are not competitive. They are the highest in the region. In addition, the graft that is encountered at these facilities makes Guinea non-competitive regionally and in international markets.
- The port facility at Conakry is very small and has limited capacity and is very inefficient. Due to the uprisings in Côte d'Ivoire the port at Conakry has received additional cargo from Mali and other countries that normally would use the Port of Abidjan, which only adds to the congestion.

The **legal system** in Guinea to be drastically revised. There are laws “on the books” that could support a licensed warehouse receipt program, but these laws have not been utilized since colonial times and are therefore considered legally defunct. There is awareness among several director generals of the financial and insurance groups in Guinea regarding the need for a revised legal system in Guinea before a warehouse receipt program could be successfully implemented.

Banking and financial institutions. ECOBANK of Guinea has been working on establishing a program similar to a warehouse receipt program for the agricultural sector.

⁹ Guinea over the past 2 years has had record-setting production of bananas, but because the road system is so bad few of these bananas could be moved to market in a timely way with minimal damage.

The reason they have not been able to implement it is due to Guinea's under-developed legal system.

Guinea is moving toward forming a common currency with Nigeria, Ghana, Gambia, Sierra Leon, and Liberia in the year 2003. Guinea will definitely not share the CFA currency that is used in Mali and Senegal.

The banking and insurance people feel that an organization such as the World Bank should step in and overhaul the legal system for Guinea, making the judiciary independent and autonomous.

4. Recommendations for Establishing a Warehouse Receipt Program in the Three-Country Subregion

There is definitely a need for a licensed warehouse receipt program adapted to the existing informal markets in Mali, Senegal and Guinea. In order to implement such a program, there must be a sponsor of unquestionable integrity who will demand the respect and trust of the legal and financial institutions of the countries chosen for the warehouse receipt program. This will facilitate establishing the necessary indemnity fund to support the program.

4.1 Strengthen Legal Systems

The major constraint that needs to be overcome in these countries is the weak and ill-defined legal system. There are laws or tools in place that could support a warehouse receipt program, but they have not been implemented or executed. The question is whether the existing legal system in place in these countries is sufficient to execute a viable Warehouse Receipt program? A majority of the people interviewed did not have knowledge of laws that were in place to govern a warehouse receipt program. This being the case, it is very possible that the laws that were in place, at some period, are already defunct.

There is a directive in place called "OHADA" (The Uniform Act Regarding the Organization of Sureties, 17 April 1997) that encompasses 16 countries in West and Central Africa, including Mali, Senegal, and Guinea. This was put in place to harmonize trade and judicial systems to guarantee free flowing trade. There is another directive that was formed called "CILSS" (Interstate committee for drought control in the Sahel) that supposedly has a trade component that would assist in supporting a warehouse receipt program. We recommend looking into these directives as well as similar ones, analyzing their content to see if they can be utilized to support a viable warehouse receipt program.

4.2 Work with Banking and Financial Institutions to Establish Guarantee Funds

One of the key elements to a viable warehouse receipt program is to establish a service provider who will attract widespread trust among the banking and financial institutions

within Mali, Senegal and Guinea. We suggest that the World Bank, African Development Bank, Central Bank of Africa and USAID be approached about underwriting the proposed licensed warehouse receipt program.

“ECO” banks and “UEMOA” (West African Economic and Monetary Union) have created mechanisms for free movement of all goods and commodities. Mali, Senegal and Guinea are UEMOA members.

There are three regional guarantee funds that are underwritten by multi-lateral organizations.

- Fonds africain de garantie et de cooperation economique (FAGACE) based in Cotonou, Benin, sponsored by OCAM
- Fonds de solidarite africaine (FSA) based in Niamey, Niger, sponsored by the African Development Bank
- Fonds de garantie des investissements privés en Afrique de l’Ouest (GARI), based in Lome, Togo. It is a private sector-orientated investment fund that includes a guarantee fund and is in the West African Development Bank (BOAD) but with primary ownership by PROPARCO and a group of public and commercial banks.

Given the existence of these funds and their acceptance in the marketplace, an opportunity exists to work with the sponsors of these funds to expand them in order to incorporate establishing a licensed warehouse receipt program.

4.3 Improve Transportation Systems

To facilitate a smooth flow of trade, there must be improvements made on the road system in all three countries. The linking of these countries by an efficient road system will be a valuable tool in the transition period from a largely informal market to a formal marketing system along with the warehouse receipt program.

A major focus must be implemented to **improve both primary and secondary roads** in Mali, Senegal and Guinea. A 3 to 4 year program would be necessary to link up the rural production areas to the major (blacktop) trade roads in each of the countries. Mali has been working on bridge repairs on some of the main roads leading to Guinea. Guinea has been repairing roads from Kankan to the Malian border.

An **efficient railroad system** would be generally of great value economically, and of particular value for a warehouse receipt program for all three countries, especially the landlocked country of Mali. All three countries recognize that they have an outdated, poorly maintained rail system and have “talked” for the past 5 years on programs for improvement, but nothing has been done to improve the situation. Over the last 5 years, Mali has had 3 feasibility studies done by different NGO’s for improving the railroad system. Senegal has had 2 studies and Guinea has had one. Nothing has been done to implement or rebuild the deteriorating rail systems in these countries.

4.4 Concentrate Initially on Two Countries

Two of the countries, Mali and Senegal, have more similarities than either one does with Guinea. Mali and Senegal share the following:

- The same currency (CFA), which is freely convertible. There is a fixed exchange rate between the CFA and the Euro. The Guinea Franc is neither transferable nor accepted outside Guinea.
- Many of the same unions and financial institutions. Even though Guinea shares in an OHADA directive, Guinea does not have as many union and financial associations. However, a trade organization was formed in 2000 between Mali and Guinea, referred to as “Coordination of Economical Operators,” made up of the food and agricultural sector traders. This association claims a membership of over 400 traders.
- Similar commodity production patterns, where coarse grain (corn, millet and sorghum) predominate. Both countries produce rice and groundnuts. Mali’s cotton production, if privatized, *might* be able to benefit from a warehouse receipt program.

Establishing a viable Warehouse Receipt program is difficult even when all of the legal and financial constraints are addressed and resolved. After careful assessment, we conclude that two countries, Mali and Senegal, have more compatible financial systems, institutional environments, and commodity production systems for a smoother transition to a viable warehouse receipt program than Guinea.

4.5 Resources Required to Develop the Program

First, a Project Coordinator should be designated to be a primary authority for program administration to coordinate with host organizations, policy-makers and task force members in forming a viable Warehouse Receipt program. The Coordinator would also set strategies that will be required to identify and resolve the constraints that exist between the countries.

We also recommend creating a Warehouse Receipt Task Force (WRTF) to implement strategies and operational tools necessary to develop a warehouse receipt program. This task force will be made up of farmers, traders, processors, banks, and policy makers. Within the Task Force structure there will be 5 subcommittees with responsibility to resolve the constraints within their designated groups. This selection will be done through a series of workshops throughout Mali, Senegal and Guinea.

These workshops would be held in the major trading areas of each country in order to accomplish the following things:

- Provide a clear understanding along with the concise mechanisms required for operating a viable warehouse receipt program.
- Identify the key players that will be part of the Warehouse Receipt Task Force.

- Identify, ascertain, and confirm what has to be done in each country to successfully implement a warehouse receipt program.

4.6 Implementation Plan (Next Steps)

The implementation should be a three-phase concept that would take place over a 60-month time period.

Phase One: Organizational and Start-up – 18 months

- ❖ Selection of the Project Coordinator and the Senior Project Advisor that will be responsible to assemble the Warehouse Receipt Task Force and responsible for the success of the five subcommittees
- ❖ Selection of task force members that resulted from the workshops
- ❖ Approval of the work plan from task force members
- ❖ Establish the service provider for the program.
- ❖ Selection of participating warehouses in the pilot phase of the project
- ❖ Manual inspection of warehouses
- ❖ Assessment of the inspection services
- ❖ Assessment of the legal framework to support the program in each country
- ❖ Assessment of the financial support of the program
- ❖ Insurance and indemnity fund development (a donor would likely provide finance)
- ❖ Develop warehouse management guidelines
- ❖ Continue workshops on the licensed warehouse system and the use of warehouse receipts for participating warehouse staff
- ❖ Assessment of commercial bank support for the pilot project

Phase Two: Implementation of the Pilot Project – 2 years.

This would be a hands-on technical assistance and training program with close monitoring through actual site visits to warehouses and examination of records. It would include the following components:

- ❖ Training for warehousemen
- ❖ Training for inspectors
- ❖ Training for bankers
- ❖ Training for farmers, farm associations
- ❖ Training for traders and processors
- ❖ Monitoring and evaluation of progress of pilot project

Phase Three: Replication – 18 months

Following an evaluation of the overall success of the pilot program through Phase Two, the Task Force would refine and expand the program. It would establish an association of participants in the warehouse receipt program, which be constituted by warehousemen, traders, some large producers, and perhaps Task Force members.

Appendix 1: LIST OF PEOPLE MET

USAID	Jeanne Harmon – West African Regional Program
CLUSA	Seydou Sidibe – Country Director, Mali - CLUSA
CAE Project	Richard Cook – DVM, Ph.D- Ag specialist – CAE, Mali
BNDA- Banque Nationale de Development Agricole	Abdourhamane Toure – Director of commercial finance
PASIDMA- Project	Dr. Niama Nango Dembele – Resident coordinator , Mali
PASIDMA –Project	Abdramane Traore – Assistant, Mali
CONOESAM Mali	Souleymane Nimaga – Trader, Mali
Grand Grenier du Bonheur	Sylla Bakore – Trader, Mali
AUXIGAGES - Warehouse	Marcel – Director - Mali
USAID	Madi Cheick Drame, - Sustainable Economic Growth Team – Mali
WARDA & Abt consultant	Moustapha Gaye – Senegal
Ministere de l’Agriculture et de l’Elevage	M. Dejene – Director for Analysis, Forecast and Statistics.
Banque Internationale pour le commerce et L’Industrie du Senegal - BICIS	Mouhamadou Ndiaye – Director Aicha Matel Agne – Conseiller de Clientele
Union Nationale des Commerçants et Industries du Senegal - UNACOIS	Ousmane Ndiaye – Permanent Secretary
Association de Professionel de Banque et Entreprise Financiere - Senegal -APBEF	Moussa Diopa – Executive Director
Caisse Nationale de Credit Agricole du Senegal, CNCAS	Assane Ngom – Director of Budget
Conseil National de Concertation et du Corporacion des Ruraux, CNCR, Senegal	Mamadou Sall – President Marius Dia – Coordinator of Technical Support Bureau
USAID - Guinea	Mohamed Lamine Fofana – Alternate Team Leader
Agence pour la Commercialisation Agricole- Guinea – (A.C.A.)	Mamy Keita – Executive Director –Agricultural Marketing Agency
Chambre de Commerce d’Industrie et d’Artisanat de Guinee - CCIAG	El hadj Fodekaba Kouyafe – Executive Secretary
Assurance Group - EGAR – Guinea	Mamady Camara – Director of Exploration
ECOBANK – Guinea -	Komlan Adjarho Oweh – Director General of Administration