



External Relations Department

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SBP and IFC join hands to promote Agriculture Finance through Warehouse Receipts

Deputy Governor State Bank of Pakistan (SBP) Ms. Sima Kamil while addressing a two-day specialized training workshop on Electronic Warehouse Receipt Financing (EWRF) for banks observed that the subject training program will be instrumental to support SBP's recent initiative to promote EWRF in the country and banks will be able to get hands on knowledge about EWRF product development, understanding the risk analysis, price determination mechanism and the international best practices. She encouraged senior bankers to use the relevant knowledge of EWRF gained during the session and disseminate it in the industry for its smooth implementation.

EWRF is a mechanism whereby farmers can avail financing facility from banks by placing their produce and agricultural commodities. By doing so, farmers can avoid selling their produce on unfavorable prices just to ensure cash flows to meet input requirements of next crop. It will also help in reducing Pakistan's high post-harvest losses. Adoption of EWRF by banks and its enhanced uptake will not only facilitate banks to achieve higher levels of agriculture credit disbursement but will also help them enhance credit outreach.

Ms. Sima Kamil noted that agriculture contributes almost a quarter to our GDP and employs half of the labor force; however, she regretted that people associated with agriculture sector face challenges in access to finance and modernize infrastructure that may facilitate them either in storing or timely disposal of their agricultural produce. She added that SBP took the initiative of EWRF in view of the role of warehousing regime in increasing food security, reducing post-harvest losses and allowing bank financing to farmers against commodities as collateral. She hoped that it will facilitate traders and processors to purchase inputs they need, including seeds, fuel and fertilizers, before and during the harvest, when their seasonal financing needs are significant. Parallel it will encourage investment in agricultural infrastructure in terms of building new, modern and commercially viable warehousing infrastructure. At outset, 25 banks signed System Usage Agreements (SUAs) with Naymat Collateral Management Company and SBP assigned indicative financing targets to these banks for FY 2021-22 and 2022-23. Now, these banks have started financing against maize crop in various districts of Punjab under EWRF regime.

The Deputy Governor acknowledged the support extended by IFC in terms of technical assistance to Government of Pakistan and other key stakeholders to make building blocks for EWRF in Pakistan. She expressed gratitude for IFC team led by Mr. Zeeshan Ahmed Sheikh and Ms. Nouma who has been coordinating an IFC collaborated project for promotion of EWRF in Pakistan. She also encouraged senior bankers to use the relevant knowledge of EWRF and disseminate in the industry for its smooth implementation.

Speaking on the occasion IFC's Country Manager for Afghanistan and Pakistan Mr. Zeeshan Sheikh observed that innovative financing models, such as electronic warehouse receipts, are extremely important as they can unlock a massive amount of capital, bolstering the farming sector and, over the long run, supporting job creation and economic growth. He also acknowledged the Government of Japan for supporting the EWR work.

SBP organized the two-day training workshop in line with the EWRF Uptake Action Plan in collaboration with IFC (World Bank). During the workshop, global experts from IFC and Pakistan shared their



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knowledge and experiences with senior banking officials regarding different modalities of collateralized commodity financing and EWRF. The program provided a deeper understanding of EWRF to banks that will help them to extend financing to farmers against agricultural commodities as alternate collateral.
