

## **IFC Supported Warehouse Receipt Financing System Launched in Ethiopia**

IFC supported Warehouse Receipt Financing system launched at the Ethiopia Commodity Exchange in partnership with Commercial Bank of Ethiopia on December 26, 2019. The system is set to transform the agricultural value chain particularly that of maize through the provision of short-term financing using the commodity brought to warehouse as collateral. This system enables mostly farmers and farmer associations as well as small scale rural commodity aggregators to get access to finance which otherwise was unavailable due to their low 'credit worthiness' in the standard banking practices. The System also provides agro-processing industries similar financing alternative to mitigate their frequent working capital shortages in addition to creating a market where they will be able source key inputs in a standardized quality and substantial volume. The overall impact of the just introduced warehouse receipt financing system is expected to standardize and regulate the trading of agricultural commodities in a more transparent and predictable manner benefiting all actors in the value chain.

The Warehouse Receipt Financing system is launched with bilateral agreement between Commercial Bank of Ethiopia, the largest commercial bank in the country, and Ethiopia commodity Exchange, where the later plays the role of third party custodian of produce deposited at its warehouses. The Exchange also provides the trading platform, where the commodities pledged as collateral are traded to settle maturing loans. IFC is supporting other commercial banks to join the platform.

IFC, through its CCF (Commodity Collateralized Financing) project has been working to create the platform whereby warehouse receipts can be used as collateral to unlock short-term financing. The project, running since 2018, focuses on strengthening the legal & institutional framework; supporting the development of storage infrastructure and warehousing practices; as well as providing institutional support to ECX and partner institutions to create market liquidity and price discovery. Prior to the launch, the project has been conducting several consultations with policy makers, targeted beneficiaries and other supporting development stakeholders in order to create the required level of awareness and mobilize support for full scale implementation of CCF in Ethiopia.