

Ethiopia: Commodity Exchange Modernization Project

The challenge:

The Ethiopia Commodity Exchange (ECX) is an innovative initiative that aims to serve all market actors in the agriculture sector on a multi-commodity exchange and provide a transparent, affordable and secure marketplace. Launched in 2008, ECX currently reaches over 3 million small holder farmers and trades six commodities including coffee, sesame seed and pea bean. To date, the total volume of commodities traded at the Exchange stands at over 3 million metric tons, valued at US\$ 5.7 billion.



Although ECX has achieved much success in the past seven years, the Exchange has been faced with limitations in conducting more transactions and introducing more commodities. ECX has been conducting trade through the “Open-out-Cry” or “Pit” trading system. This form of trading requires traders to match customers’ buy and sell orders by flashing hand signals on the trading floor. As a result of this system, the Exchange is constrained by a limited number of transactions and floor space. ECX’s capacity to trade stands at only 200 transactions per day which limits the amount of commodity that can be traded.

The solution:

ICF is working with ECX to provide market players with a modern, efficient, transparent and reliable platform for commodity trading. This is being done through a ground-breaking initiative that will migrate the Exchange and its market actors in the commodity and agricultural sector from a “Pit” trading system into an electronic trading platform, known as the e-Trade Platform. Initially, trading will be restricted within the ECX Trading Center in Addis, and eventually will be rolled-out to the newly-built trading platforms across the country.

The project will cost a total of US\$ 1,750,000. Of this ICF is providing US\$ 1,200,000 and ECX is providing US\$ 550,000.

Expected results:

- Introduce electronic commodity trading and increase ECX’s capacity to perform 5,000 times more trade transactions than previously; increase trade efficiency, transparency and accessibility
- Increase the number of market players and enable them to participate directly in electronic trading from anywhere via a secure access
- Increase exports earnings from introduction of new commodities on the Exchange
- Increase smallholder farmer earnings due to better price discovery
- Build the capacity of over 400 traders and enhance the knowledge base on commodity exchange in Ethiopia

Project duration: November 2011 – November 2015

The Investment Climate Facility for Africa is a grant providing organisation that works with African Governments to improve the environment in which businesses operate. ICF engages closely with implementing Government bodies throughout the life of the project. For more information about ICF please visit www.icfafrica.org