



The Investment Climate Facility for Africa

PARTNERS IN BUILDING  
THE FUTURE

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September 2015 Newsletter:  
**FINANCIAL MARKETS AND  
CAPACITY BUILDING**

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## Ethiopia Commodity Trading Goes Electronic

Traders in Ethiopia can now sell and buy commodities electronically, thanks to the introduction of electronic spot trading by the Ethiopia Commodity Exchange (ECX), in partnership with ICF. The introduction of electronic trading will increase trade efficiency, transparency, and improve stakeholder access to commodity trading in Ethiopia. Digital trading also means that physical space on the trading floor will no longer be a constraint for ECX's growth.

ECX officially inaugurated the electronic trading platform on 8th October 2015.



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## Financial Markets and Capacity Building, a Note From Our CEO

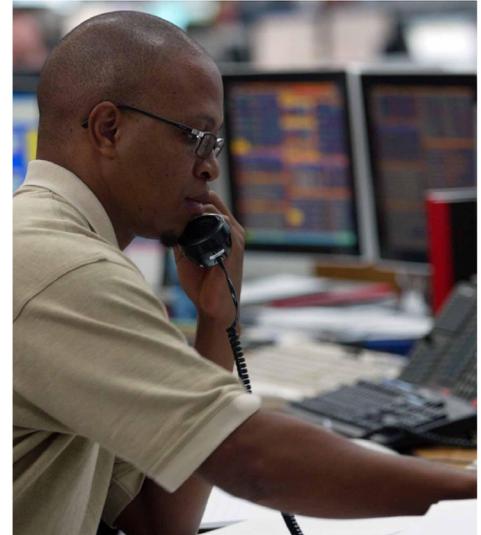
To foster growth in Africa's private sector, it is necessary to ensure that governments have the capacity to provide a conducive business environment, and that the private sector is able to take advantage of this environment. Access to multiple avenues of financing for the private sector is also critical. This is why we support projects that build the capacities of both the public and private sectors, as well as those which make financial markets more accessible.



## Building Investor Confidence by Bolstering Access to Financial Markets and Education

Financial markets are an important resource for businesses of all sizes, especially for the small business sector. They can realize immense benefits for countries that are able to successfully harness their potential of catalysing a prosperous private sector that delivers greater economic value and much needed jobs.

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## Capacity Building in Africa Could be The Answer to Sustaining Development

Capacity building remains an important contributor to the business climate of any country as it works on the premise of self-development and, ultimately, sustainability. Empowering entrepreneurs to upskill themselves creates a culture of self-sufficiency and, in turn, a private sector which has the power to adapt and thrive in the business environment.

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## ICF Activity Map: Financial Markets and Capacity Building

While capacity building initiatives are built into all ICF projects, four of our projects focus exclusively on capacity building. We also have two projects that focus on improving private sector access to financial markets.

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# Ethiopia Commodity Trading Goes Electronic

On 3rd September 2015, the Ethiopia Commodity Exchange (ECX) held a certification ceremony for Electronic Trading Trainees. The aim of the ceremony was to certify 371 traders who undertook training on the electronic trading system. The system was introduced under the ECX Modernization project. Co-funded by the Government of Ethiopia and the Investment Climate Facility for Africa, the project aims to improve trading efficiency, services, and stakeholder access to commodity trading in Ethiopia.

The introduction of electronic trading means that ECX will no longer be constrained by floor space. Instead, traders will be able to transact electronically at ECX Central Trading Centre. In the future, ECX will rollout Remote Trading Centres in strategic locations around the country. Eventually online trading will be introduced. This will enable traders to transact from wherever they are as long as they have internet connection. Traders will no longer be required to physically visit ECX to transact.

Speaking at the event, Ermias Eshetu, Chief Executive Officer of ECX explained the potential of online trading. "Online trading is as huge as having 5,000 trading pits. The transformation is from pit to bits."

To date, 1,000 tons of commodities have been traded through 270 transactions worth US\$ 1.8 million. Currently, local coffee is the only commodity that is being traded on the electronic platform.

Dawit Korma is a representative of Ethiopia Grain Trade Enterprise. After becoming a certified electronic trader, he has been able to sell local coffee through the electronic trading system. In his first transaction, he sold 60 bags of coffee (6 tons) worth US\$ 10,390.

The certification ceremony was attended by Members of the Electronic Trading Steering Committee, National Exchange Actor Association President, ECX staff and representatives of the Ethiopia Coffee Exporters Association.



*Dawit Korma, a representative of Ethiopia Grain Trade, uses the electronic trading system to trade coffee at the ECX Central Trading Centre*



*Traders transacting by flashing hand signals, also known as the pit trading at the ECX Headquarters in Addis Ababa, Ethiopia.*



*Ermias Eshetu, Chief Executive Officer of ECX, talks about the online trading platform at the Electronic Trading Training Certification event.*



*Ermias Eshetu, Chief Executive Officer of ECX, talks about the online trading platform at the Electronic Trading Training Certification event.*

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## Building Investor Confidence By Bolstering Access to Financial Markets in Africa

Access to financial services and markets is an important building block of any economy. Not only does it assist the all-important small business sector on the continent but it helps strengthen the private sector, increase investor confidence, and bring important benefits to businesses of all sizes. ICF's work in this field ranges from education about financial services all the way to modernizing commodity exchanges and improving access to these services. Each of them have an important role to play in a country's development.



As Africa is a major producer of raw materials and commodities in the world, it is important that countries are able to efficiently and effectively manage the transactions of these resources with customers both locally and abroad. One example of this is a project ICF is working on in partnership with the Ethiopian Government. The project is assisting the Ethiopia Commodity Exchange (ECX) to establish electronic commodity trading to improve trading efficiency and stakeholder access. The introduction of an online trading platform is expected to increase efficiency, transparency and greater access to commodity trading on the Exchange. It is also expected to increase smallholder farmer earnings due to better and more competitive pricing.

From an investor education perspective, in Tunisia, we worked with the Government to increase public awareness of the opportunities offered by the Tunis Stock Exchange and promote stock literacy. The

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project strengthened professional training and investor education capabilities of the Tunis Stock Market. As a result of the project, 12 IPOs were registered in 2013, compared to 2 in 2012, and 1 in 2011. More than 90 professionals have been trained in Corporate Finance, Asset Management and Islamic Finance.

Another important aspect of financial markets is making sure that people are aware of its developments, how it works and how you can access it. One of the best vehicles to achieving this is through the members of the media. ICF partnered with the Thomson Reuters Foundation to launch a groundbreaking training program for business journalism in Africa. The program focused on raising the standards of business, financial and investment journalism across the continent with the aim of ensuring that greater trust is put in the region's media reporting.

Financial markets can realize immense benefits for countries that are able to successfully harness their potential, educate people on how to access them and promote greater raising of capital from local and foreign markets. This creates prosperous, robust private sectors that deliver greater economic value and much needed development and jobs.

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## Capacity Building in Africa Could Be The Answer to Sustaining Development

There's an old saying that notes the importance of sharing skills using the analogy of fishing. It goes like this: if you give a man a fish, he will eat for a day but teach him to fish and he will eat for the rest of his life. The same applies to capacity building - strengthening the ability of people, organizations and countries to adapt and thrive enables them to develop and move forward.

This approach has the potential of reaping significant rewards in the form of creating sustainable, self-developing companies, governments and organizations that are then able to continuously learn new things. This philosophy is an important benefit of capacity building as it creates a culture of learning.

As a partner in development, much of our work is focused on sharing best practice and promoting new developments that add significant value to the beneficiaries of our projects. Capitalizing on knowledge that already exists in the continent, we encourage our project partners to learn from other African countries that have been successful in implementing similar business environment reforms. This has seen the Togo Ministry of Justice learning from the Zambia Judiciary on implementation of commercial justice reform, and the Zambia Revenue Authority leaning from the Rwanda Revenue Authority how to implement an online tax system. ICF has also conducted knowledge sharing events on commercial justice and business registration, bringing together heads of institutions across Africa, like Chief Justices and Registrar Generals respectively, to share knowledge and experiences.



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ICF also continuously focuses on developing the capacity of partner governments to deliver reform projects. Over a four year period, ICF implemented a project to bolster capacity building, knowledge sharing and mentoring within our project network. This included knowledge sharing workshops where project Directors and Accountants working on ICF projects across the continent shared their expertise, experiences and best practice.

Capacity building is also critical in the small business sector where there is a significant need to bolster knowledge and skills in order to facilitate business growth. In Tanzania we are running a Small and Medium Enterprise Capacity Building Project. ICF is working with the Government to build the capacity of Small and Medium Enterprises (SMEs) to transition from the informal to formal economy. With a focus on the retail trade, small manufacturing and fisheries sectors in Dar es Salaam and Mwanza, the project will provide business management and entrepreneurial skills training to 500 small enterprises.

Similarly, we are working with the Common Market for Eastern and Southern Africa (COMESA) to help six member countries boost the capacity of local producers. The aim of that project is to promote sustainable sourcing partnerships between local producers and large corporate companies, like hotels and supermarkets. The local producers are being trained on global food standards to enable them to supply these large companies with food, beverage and supermarket retail products in a safe and reliable manner.

Empowering government structures with the knowledge and tools to render better services to their communities is also an important aspect of capacity building, especially at the level of local government, which is the face of service delivery. This is where companies and citizens interact the most with government and rely significantly on the services they provide. In South Africa, ICF is working with Anglo American South Africa (AASA) and the Development Bank of Southern Africa (DBSA) to build the capacities of five municipalities to enable them to improve the provision of basic services in their areas. The objective is to make the areas governed by the municipalities more attractive for businesses to invest in, create jobs and improve the local economy.

Capacity building remains an important contributor to improving the business climate of any country as it works on the premise of self-development and, ultimately, sustainability. Importantly, capacity building cannot be done in isolation and as you can see from the projects above, it requires meaningful, impactful partnerships in order to fulfill this important objective. ICF will continue to promote capacity building as part of our response to the challenges on the continent and ensure that the countries we partner with are empowered to develop their capacity to learn and share.

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## In Next Month's Edition...

### Taxation

In next month's issue we look at the relationship between tax systems, government, the private sector and civil society. A modern, efficient and transparent tax system not only reduces the time individuals and businesses spend on paying taxes, it also simplifies bureaucratic processes and helps promote a competitive business climate.

# ICF Funding and Support

ICF provides a unique partnership between the private sector, African governments and development organisations to deliver a better investment climate for Africa. We continue to seek additional funds to enable us to increase the scope and impact of our work.

## Development Partners

ICF receives support from the following governments:



And also from:



## Corporate Partners

ICF also receives support from the following companies:



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