

**Going beyond national
borders with PPP
to fast track the
establishment of ACX**

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Fast tracking establishment of African commodity exchanges

Going beyond national borders

Context

The Abuja treaty of 1991 calls for going beyond national borders to establish commodity exchanges in support of improved food security and increased intra africa trade. To achieve this, one needs exchanges with a sub regional or a pan-african approach.

Are the conditions ripe for fast tracking such initiative now or a t least, for sub regional exchange ? Such a Pan-african exchange, or a sub regional one can be built with

Pre-requisites

1/ strong political will and backing.

3/. Close fit with AU, NEPAD objectives and commodity sector development in those countries where the exchange will be active. Close cooperation with AU, RECs, gvts in making exchanges trade accessible and usefull to a large number of users

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Business model ?

If successful, sub regional exchanges may be sufficiently strong to attract buyers and sellers from outside the region subject to removing potential bottlenecks.

Advocacy

In support of such initiatives, AU/REC can play a key political role, raising the understanding of the value of this instrument for regional integration among african decision-makers, guiding the debate on necessary complementary policy actions, on mobilizing a wide range of african institutions to support the project

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PPP Business model

What African union/RECs should do ?

AU/RECs

Should recognize that the time is ripe for the implementation of regionally led ACX and express its moral and political support for such initiative promulgated by private african transnational entities.

Provide a forum for discussions on the implementation of emerging ACX initiatives, enable private sector parties to discuss such initiatives and their requirements and potential obstacles directly with the community of African governments/RECs involved.

Provide a forum for the review of exchange performance (once operational) in order to highlight problems areas with governments, support actions thru which the public interest can be best served

Provide, if so desired, a board member to the exchange (s) to ensure an ongoing communication between the ACX, the AU, REC, participating member countries.

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PPP Business model

What African governments should do ?

African governments should

Review their policies, laws and regulations including those of their central banks, as well as taxation rules) with the view of identifying and resolving unnecessary obstacles to the functioning of commodity exchange initiative, or to its uses by various entities

Incorporate the establishment of a commodity exchange, whether national or regional, into their economic policy objectives; and re-iterate this desire in public pronouncement of various nature (policy signals to private investors).

Provide an interface within the government with which the private sector entities can interact – a 'one stop shop'.

Allow the management of the exchange on a purely commercial basis even with PPP.

Empower the parastatals companies, local private sector to invest in commodity exchanges.

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PPP Business model

What the Africa Private sector could do ?

Private Sector role ?

Accelerate the development of the necessary skills to understand commodity exchange operations, build up the institutional capacity to engage in such operations.

Be willing to interact with the governments to identify and remove barriers to commodity exchange establishment and operations.

Support a public-relations and awareness raising campaign to make a larger public aware of the commodity exchange operations.

With respect with those interested in initiating an exchange, adopt a partnership model cooperating not just with a broad range of private sector interests (including banks, warehousing companies, and collateral managers) but also with with government entitites.

Be willing to work with African governments, the international community to bring the exchanges services to a comprehensive range of countries and groups including farmers organisations.

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What the international community should do ?

The IC role ?

Support the review process of their policies, laws and regulations in order to create a supportive environment for commodity exchanges in Africa.

Support capacity building programme focused on domestic bank (as intermediaries between exchange users and the exchange) and farmers's associations (as exchange users).

1. Support the development of guidelines and set of 'best practices'; 2. Sharing of experiences in this area; 3. Give technical advice to private sector interested in establishing a commodity exchange.

Consider investing favorably in african commodity exchange initiatives.