



International Coffee Organization
Organización Internacional del Café
Organização Internacional do Café
Organisation Internationale du Café

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Projects/Common Fund

Executive Board/
International Coffee Council
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**Study of the potential for commodity
exchanges and other forms of
market-places in West Africa**

Project proposal

Background

1. This document has been submitted by Côte d'Ivoire, and contains a summary of a project proposal to improve commodity marketing systems through the promotion of commodity exchanges in West Africa.
2. The proposal has been circulated to the Virtual Screening Committee (VSC) for assessment and will be considered by the Executive Board in May 2008.

Action

The Executive Board is requested to consider this proposal together with the recommendations of the VSC and, if appropriate, to recommend approval by the Council.

PROJECT SUMMARY

Project title:	Study of the potential for commodity exchanges and other forms of market-places in West Africa
Duration:	Six months
Location:	Cameroon, Côte d'Ivoire, Ghana and Nigeria
Nature of the project:	Evaluation of the potential and viability for the establishment of local and regional commodity exchanges for coffee and other agricultural products in West Africa
Brief description:	The study will review the technical, organisational, institutional and financial requirements for the establishment of commodity exchanges. It will explore the adoption of modern techniques for trading coffee and other commodities locally, regionally and internationally in order to optimize economic benefits to the farmers and the countries concerned. It will make technical recommendations for the organisation, institutional mechanisms and infrastructure of the proposed exchanges as well as any necessary funding.
Estimated total cost:	The estimated cost of the project is US\$106,000. This includes consultancy costs, editing and dissemination of reports to the authorities of participating countries
Financing sought from the Fund:	Grant: US\$93,500 (fast-track)
Counterpart contributions:	Total: US\$12,500 Cameroon: US\$3,500 Côte d'Ivoire: US\$6,500 Nigeria: US\$2,500
Project Executing Agency:	Consultant – to be determined
Supervisory Body:	International Coffee Organization (ICO)

Collaborating institutions: Cameroon: Office national du café et cacao (ONCC)
Côte d'Ivoire: Autorité de régulation du café-cacao (ARCC)
Fonds de régulation café-cacao (FRC)
Nigeria: Federal Ministry of Commerce and Industry

Estimated starting date: October 2008

Project rationale and objectives

The study will thoroughly review the potential offered by commodity exchanges and other forms of market-places to producers in West Africa. A commodity exchange would provide an opportunity for stakeholders to meet, and a physical market for buyers and sellers could significantly reduce transaction costs as well as contribute to improving quality and promoting the standardization of transactions. Market information would be available to all stakeholders, and increase security for buyers and the financial sector who would have reduced risks with improved access to information.

Project components

The main components of the project are:

- Component 1:** Identification and analysis of the existing trading and marketing systems in each country by commodity.
- Component 2:** Assessment of the suitability of existing legal and regulatory frameworks.
- Component 3:** Institutional arrangements required to set up a national commodity exchange.
- Component 4:** Assessment of the capacity of farmers' organizations.
- Component 5:** Assessment of financial feasibility.

Terms of reference for the study

The consultant will prepare a report outlining the main conclusions and recommendations, based on existing and foreseeable demand for a regional commodity exchange. It will determine the exact nature of the system to be set up in terms of trading methods, products and contracts, operational matters, institutional set-up, information systems on prices and transactions, transaction and payment clearing and the role of warehousing and shipping. The consultant will evaluate the commercial and financial conditions, in particular, pricing, forms of contract, sequential deliveries, packing, sampling, quality control and certification, pre-financing, administrative and payment procedures, warehouse systems and availability of finance. The consultant will also propose how business linkages can be established between national/regional commodity exchanges and other international commodity exchanges.

Specific issues to address:

- i) Analyse the existing trading and marketing systems.
- ii) Analyse the size of the market players, producers, traders and buyers and assess their capacity to participate in the commodity exchange.
- iii) Analyse the institutional arrangements required to set up a national commodity exchange.
- iv) Assess the suitability of existing legal and regulatory frameworks and make recommendations for changes where required.
- v) Seek advice from well-established markets such as LIFFE and the New York Commodity Exchange.
- vi) Make specific recommendations on operational modalities and financial requirements.

Expected output

The report should contain a well-developed proposal for establishing national and regional commodity exchanges. The report should cover business and operational aspects, institutional arrangements and legal and regulatory frameworks in the participating countries.