


**BOAD**

BANQUE OUEST AFRICAINE  
DE DÉVELOPPEMENT

**Rapport annuel**

2011

Cliquez pour continuer 



# RAPPORT ANNUEL 2011



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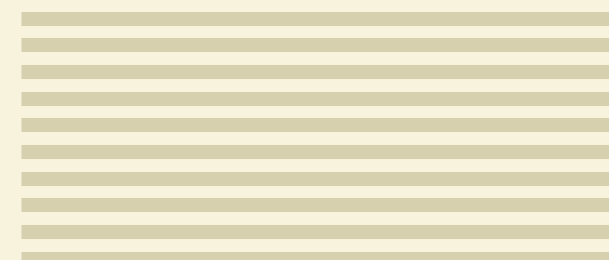
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**Topic of reflection for the year  
FEASIBILITY OF A CROP INSURANCE SYSTEM IN THE WAEMU MEMBER STATES**

- I. Background and justification
- II. Purpose and objectives
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The economies of the WAEMU Member States had had deal with a difficult economic environment in 2011. The international sphere saw a worsening of the sovereign debt crisis, while at regional level, the post-electoral crisis in Côte d'Ivoire negatively affected overall economic activity, particularly during the first quarter. The FYE2011 also saw the emergence of the Arab Spring, the first consequences of which began to be seen in our Member States towards the end of the year. Finally, I must also mention the rainfall deficit during the growing season, which since early 2012 has exposed our Union to the risk of a food crisis similar to the one that took place in 2008.

Because of these various constraints, the annual growth rate of the Union has declined sharply from 4.5% in 2010 to 1.4% in 2011, and the annual average inflation rate increased from 1.4% in 2010 to 3.9% as a result of price increases in food imports (oil, milk, sugar, etc.), petroleum products, and local grains.

Despite all this, and with the continued implementation of the strategic plan, BOAD managed to maintain a good level of activity.

Under the two conventional financing windows (the first being the Development and Cohesion Fund and the second being the Bank), financing increased to FCFA 278.8 billion from FCFA 251.5 billion in 2010 (+10.8%). Loans granted during the financial year allowed the Bank to provide direct support to thirty eight (38) operations, including investment projects in areas such as agriculture, economic infrastructure, industry, services, and environment.

Interventions by the «Energy Development Fund» (FDE), the regional instrument for which BOAD has assumed project management, decreased to FCFA 68.6 billion from FCFA 105 billion in 2010. After financing approximately ten national projects in 2010 and in the first quarter of 2011, the



**CHRISTIAN ADOVELANDE**

*Président de la BOAD*

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Fund has now changed orientation and is prioritizing projects with a regional focus. This has led to a change in the frequency with which the Fund issues grants.

FDE financing granted in 2011 was aimed at expanding electric power generation capacity in several countries in the Union. This brought a decrease in the total volume of BOAD's loans for the financial year to FCFA 347.5 billion from FCFA 356.5 billion in 2010.

At the end of December 2011, the Bank's total net commitments came to FCFA 2,154.5 billion for 602 projects.

Short-term financing for the year came to FCFA 43 billion, reflecting a gradual development of this new type of financing, which is aimed at expanding the range of services offered to the Bank's borrowers.

As regards equity investments, six (6) operations were recorded for a total value of FCFA 7.8 billion. Two of these operations allowed BOAD to contribute to the inception of two national agricultural banks, while another was used to support an existing cooperative agricultural credit institution.

Through financing arrangements (worth FCFA 44.1 billion) and through guarantees of bond loan issues (worth FCFA 8 billion), the Bank has also supported some companies in seeking resources in the regional financial market or from the banking system.

I am equally pleased to announce, among the year's achievements, the first direct loan extended by BOAD to a local government authority in the Union for the construction of urban infrastructure. This facility involving FCFA 9.7 billion was granted to the municipality of Dakar.

The fiscal year's disbursements increased from FCFA 113.8 billion in 2010 to FCFA 131.5 billion in 2011 (an increase of 20.3%). Thus, total disbursements came to FCFA 1,240.7 billion, which correspond to an aggregate disbursement rate of 62.6% (excluding FDE).

Following its inception in 2010, the Regional Mortgage Refinancing Fund (CRRH) was approved as a financial institution in November 2011. This Fund currently has 38 shareholder banks. Its procedures and management tools continue to be developed. The same applies to the securitization entity, «BOAD Titrisation». It too received approval from the Union's Regional Council for Public Savings & Capital Markets in December 2011.

Despite delays due to the instability in international rating markets on account of the sovereign debt crisis, the objective of obtaining a credit rating for the Bank continues to be pursued. During the FYE2011, it gave rise to the revision of certain components of the Bank's financial policies. In addition, deployment of the new IT master plan continued.



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As regards resource mobilization, the year was marked by the signing of three financing agreements for an overall value of EUR150 million (FCFA 98.4 billion). In the regional capital market, the Bank issued five-year bonds to a value of FCFA 50.47 billion. All the Member States, as well as the BCEAO, the People's Republic of China, France, and AfDB, have subscribed to the capital increase decided by the Board of Directors in June 2010. The EIB agreed to a subscription in principle, but some of the proposed paying-up conditions are still under negotiation.

During the year, the Bank produced and published its first financial statements prepared in accordance with IAS/IFRS international standards. It also implemented its first programme budgeting.

Thanks to prudent management, the Bank's financial position remains sound. At the end of 2011, the net operating results were FCFA 8.1 billion higher than the previous year.

To face the challenges of 2012, BOAD will have to consolidate its results from 2011, and economies of the Union should continue to build on the resilience that they have shown in the past few years.

May I take this opportunity to thank the highest authorities of the Union, firstly, for having allowed our community to meet the challenges of 2011, and secondly, for their continued support to BOAD in carrying out its mission.

I am also very grateful for the many forms of support that BOAD receives from BCEAO, non-regional shareholders, and partners.

At last, to the entire staff of the Bank, I would like to offer my warmest congratulations on the selfless work achieved in 2011, as well as my encouragement in facing the new challenges ahead with determination.



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<b>Date of establishment</b>	14 November 1973 ; commencement of operational activities in 1976	
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>• WAEMU member states: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo</li> <li>• BCEAO</li> <li>• Seven non-regional shareholders: AfDB, EIB, France, Belgium, Germany, EXIM BANK of India and People's Republic of China</li> </ul>	
<b>Mission</b>	Promoting balanced development in Member States and fostering economic Integration in West Africa	
<b>2020 vision</b>	Making BOAD a solid and world-class development bank in the regional common market	
<b>Authorized capital as at 31/12/2011</b>	FCFA 1,050 billion	
<b>Subscribed capital as at 31/12/2011</b>	FCFA 1,006.5 billion	
<b>Total balance sheet as at 31/12/2011</b>	FCFA 1,099.8 billion	
<b>Bank staff complement as at 31/12/2009</b>	262 employees	
<b>FUNDING IN 2011</b>	<b>44 operations totaling FCFA 286.7 billion, in the form of:</b>	
	Direct loans:	FCFA 274.1 billion, or 95.6%
	Indirect loans:	FCFA 4.8 billion, or 1.7%
	Equity investments:	FCFA 7.8 billion, or 2.7%
	<b>Spread of funding per sector:</b>	
	Non-commercial sector:	FCFA 138.3 billion, or 48.2% (19 operations)
	Commercial public sector:	FCFA 52.1 billion, or 18.2% (4 operations)
	Private sector:	FCFA 96.3 billion, or 33.6% (21 operations)
	<b>Spread of funding per size</b>	
	National projects:	FCFA240.6 billion, or 83.9%
	Regional projects:	FCFA46.1 billion, or 16.1%
<b>Approved aggregate, 1976 - 2011</b>	FCFA 1,980.9 billion for 593 operations (FCFA2,154.5 billion for 602 operations including the Energy Development Fund (FDE))	

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### ■ 10 February

#### Christian Adovelande assumed office as Chairman of BOAD

Following his appointment as Chairman of BOAD by the WAEMU Heads of State and Government at their 15th ordinary meeting held on 22 January 2011 in Bamako, Mr. Adovelande took office at the head of the institution on 10 February, taking over from Mr. Abdoulaye Bio-Tchane.

### ■ 31 May

#### Workshop on guarantee instruments and bank guarantee market in the WAEMU zone

On 31 May, BOAD, in conjunction with Agence Française de Développement (AFD), hosted at its headquarters in Lomé (Togo) a seminar at which the results of a study commissioned on the subject of "guarantee instruments and bank guarantee market in the WAEMU zone were presented. The study was jointly commissioned by AFD and BOAD.

The 31 May workshop was attended by representatives of various regional credit guarantee institutions, regional financial institutions, and private sector executives from the sub-region as well as a number of executives from AFD.

### ■ 6 - 10 June

#### BOAD Information Day in Niamey

In order to promote its financing activities, BOAD organized an outreach week at the Gaweze Hotel in Niamey (Niger) from 6-10 June. The event notably included an Open House Day on June 9, during which B-to-B meetings were organized with project developers. The event also allowed the Bank to gather information on the expectations of the Nigerien private sector with regard to project financing.

### ■ 24 June

#### Request from the WAEMU Council of Ministers for greater involvement by BOAD in the reinforcement of Regional Solidarity Bank (BRS) Group

On 28 May and again on 24 June, the WAEMU Council of Ministers examined the dossier of the BRS (Regional Solidarity Bank) Group. Based on its deliberations of 24 June, the Council decided to request that BOAD takes over the task of reinforcing the financing structure of the institutions that make up the group.

### ■ 27 June

#### Accreditation of BOAD as a Regional Implementing Entity for Climate Change Adaptation Fund

At its 14th meeting in Bonn (Germany), the Board of Directors of the Climate Change Adaptation Fund decided to accredit BOAD as a Regional Implementing Entity. The accreditation became effective following the due diligence process by the Accreditation Panel, which testified to BOAD's expertise, particularly with regard to qualified and experienced human resources in the area of evaluation, reliability of disbursement procedures, and monitoring of projects.

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### ■ 7-8 July (and 18-22 July)

#### Mission for the resumption of BOAD's operations in Côte d'Ivoire

From 7 to 8 July, the Chairman of BOAD undertook an ad hoc mission to Côte d'Ivoire in the context of the resumption of BOAD's operations in that country following the post-electoral crisis and in a bid to support the country's reconstruction efforts.

This mission was followed by another technical mission, which took place from 18 to 22 July.

During these two missions, BOAD met with Ivorian authorities to discuss the Bank's possible contribution to financing development actions aimed at bringing about the country's economic recovery. The Bank also undertook a review of its portfolio in Côte d'Ivoire as well as the identification of new projects.

### ■ 11-13 July

#### Training workshop on climate change mitigation and adaptation project elaboration

In collaboration with the Francophone Energy and Environment Institute (IEPF) and the Islamic Educational, Scientific, and Cultural Organization (ISESCO), BOAD held from 11-13 July at its headquarters in Lomé a training workshop on climate change mitigation/adaptation project elaboration.

This workshop fell within the Carbon Initiative promoted by the Bank since 2009 with the aim of assisting the WAEMU Member States with their climate change-related initiatives in compliance with the United Nations Framework Convention on Climate Change (UNFCCC).

The workshop brought together participants from several African countries as well as experts from IEPF, GEF, and UNDP.

### ■ 20-21 July

#### Regional workshop on the validation of results from the second phase of the feasibility study for the establishment of a crop insurance mechanism in the WAEMU Member States

The second workshop on the validation of the results of the feasibility study for the establishment of a crop insurance mechanism took place at BOAD headquarters in Lomé on 20-21 July.

The meeting was attended by representatives of insurance companies, ministries of agriculture or finance, research institutions, farmers' organizations, and technical and financial partners (UNDP, USAID, IFAD, and AFD).

### ■ 16 November

#### Participation of BOAD in the opening ceremony of Combatente da Liberdade da Patria Avenue in Bissau

On 16 November, the Chairman participated in the official opening ceremony of Combatente da Liberdade da Patria Avenue alongside late former President Malam Bacai Sanhá.

This infrastructure project was financed by BOAD and the WAEMU Commission and constitutes a major community trunk road which will improve the living conditions and the quality of transport in the city of Bissau, particularly as regards the traffic situation and the safety of road users.



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### ■ 20 November

#### Approval of the Regional Fund for Mortgage Refinancing (CRRH-UEMOA)

The Regional Fund for Mortgage Refinancing (CRRH) promoted by BOAD obtained its approval as a financial institution on 20 November. Thirty-eight (38) WAEMU banks currently own equity in the new fund.

For its part, BOAD Titrisation obtained its approval as a securitization fund management company on 28 December.

### ■ 14 December

#### First direct loan by BOAD to a local government authority

BOAD has long been investigating the possibility of financing community infrastructure projects through local authorities.

On 14 December, it undertook its first operation of this kind by providing financial assistance in an amount of FCFA 9.7 billion to the city of Dakar.

The project aims to improve urban mobility in the city as well as the living conditions of part of its population.

### ■ 21 December

#### Charity Day held in Lomé

As part of its activities aiming to encourage citizens' involvement, the Bank organized on 21 December the fourth annual charity day called "Journée du Cœur".

The aim of this initiative was to respond to requests for assistance in a symbolic manner in the form of direct donations. Donations received were handed over to vulnerable and impoverished populations in the city of Lomé.

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## 1.1. INTERNATIONAL ECONOMIC ENVIRONMENT

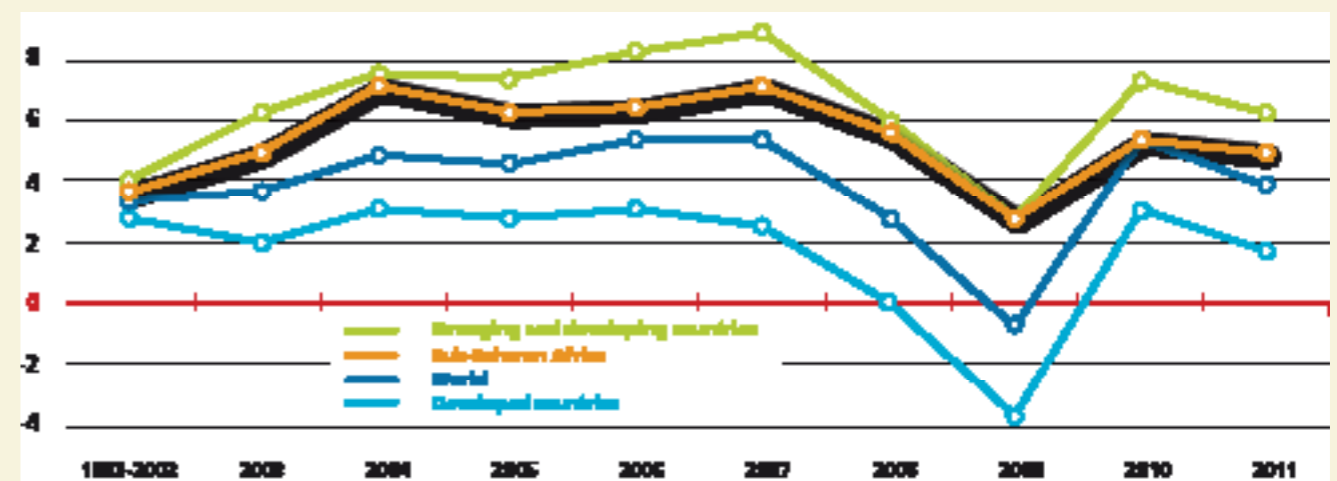
Following the recession of 2009 (-0.7%) and the rapid recovery in economic activity in 2010 (+5.2%), world economic growth declined by approximately 3.8% in 2011. This was due to the effect of the sovereign debt crisis, which manifested itself particularly in increased risks on the capital markets and tightened credit conditions proposed by lending institutions.

The recovery has remained fragile in developed economies (+1.6% in 2011 compared to 3.2% in 2010), which evidences the degree to which measures taken to improve competitiveness and reduce unemployment rates have been ineffective. However, the recovery was stronger in emerging and developing economies (+6.2% and 7.3% respectively in 2010) where it was driven by investment and trade.

For 2012, the risk of a deceleration in economic activity led the IMF to revise in January its projections for world economic growth to 3.3%. Growth in emerging or developing economies should also slow down due to deterioration in external market conditions and weak domestic demand.

With regard to countries in Sub-Saharan Africa in particular, although their macroeconomic results have been promising, the slowdown in world markets has led to a slight downward revision in the growth rate for the region to 4.9% in 2011 (as against 5.3% in 2010), supported by strong domestic demand and favorable prices for exports of some raw materials, especially crude oil.

GRAPH 1 : TREND IN WORLD REAL GDP GROWTH FROM 1993 TO 2011 (%)



Source : IMF data (WEO, September 2011, January 2012, and previous issues)

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On the foreign exchange markets, the Euro-Dollar exchange rate was marked by three main phases in 2011: an increase in the value of the Euro between January and June, starting at US\$ 1.29 in January and ending at US\$ 1.46 in June, with a peak of US\$ 1.48 on 4 May; a stabilization, then a decrease to US\$ 1.30 between August and December, with the Euro slipping below US\$ 1.30 on 14 December. Thus, despite the debt crisis in Europe, the Euro actually strengthened in relation to other major currencies. This was helped by the policies enforced by the European Central Bank, which were less accommodating than those of the Federal Reserve Bank in the USA, as well as the depressed economic climate in the USA and Japan.

On the commodity markets in particular, prices of raw materials have remained relatively high, sustained by strong demand from emerging economies as well as by a downturn in production linked to unfavorable climate conditions and geopolitical instability in some producing areas, among other factors.

## 1.2. SOCIAL AND ECONOMIC CONTEXT WITHIN THE WAEMU ZONE

### 1.2.1. ECONOMIC SITUATION

In 2011, the WAEMU Member States experienced a considerable downturn in economic growth due largely to a slowing down in global economic activity on the one hand, and to the effects of the political crisis in Côte d'Ivoire on the other. In addition, the performance of the region's economies was affected by an increase in food prices and imported petroleum products as well as by an increase in transportation costs and continued disruptions in power supply. Moreover, over the past few months, some Member States have experienced specific difficulties linked either to WAEMU migrants to Libya returning to their countries or increased instability in the Sahel region, both as a consequence of the crisis in Libya.

Against this background, the WAEMU's real GDP grew by only 1.4% in 2011 compared with 4.5% in 2010 (see Table 1 below).

Economic activity took place in the context of a return of inflationary pressures. The average annual inflation rate climbed to 3.9% compared with 1.4% in 2010. Food prices rose by 7.4% over the first ten months of the year compared with 2.9% over the same period in 2010. Meanwhile, transportation costs increased by 3.1% compared with 1.9% for the first ten months of 2010.

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TABLE 1 : REAL GDP GROWTH RATE IN THE WAEMU COUNTRIES FROM 2001 TO 2011 (%)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
BENIN	6.2	4.4	3.9	3.1	2.9	3.8	4.6	2.7	2.7	2.6	3.8
BURKINA FASO	6.6	4.7	8.0	4.6	7.1	6.4	3.6	5.2	3.2	7.9	5.6
CÔTE D'IVOIRE	0.1	-1.6	-1.7	1.6	1.8	1.2	1.6	2.3	3.8	2.4	-5.8
GUINEA BISSAU	0.2	-7.1	0.6	3.2	3.8	1.8	2.7	3.3	3	3.5	5.3
MALI	11.9	4.3	7.6	2.3	6.1	5.3	4.3	5.0	4.5	5.8	5.4
NIGER	7.4	5.3	7.6	-0.8	7.2	4.8	3.3	9.5	-1.2	8.0	3.7
SENEGAL	4.6	0.7	6.7	5.8	5.3	2.1	4.7	2.4	2.2	4.1	4.0
TOGO	-2.3	-0.2	4.8	2.5	1.3	1.9	2.1	1.8	3.2	4.0	4.8
<b>WAEMU</b>	<b>3.8</b>	<b>1.3</b>	<b>3.9</b>	<b>3.5</b>	<b>4.4</b>	<b>3.1</b>	<b>3.3</b>	<b>3.7</b>	<b>2.8</b>	<b>4.5</b>	<b>1.4</b>

Sources : Semi-annual reports on the implementation of multilateral monitoring (WAEMU Commission). December 2011 and previous issues

With regard to the costs of basic commodities, the value of virtually all products exported by the WAEMU countries showed an upward trend relative to average prices in 2010 over the first ten months of 2011 thanks to sustained demand from emerging countries in Asia: +48% for Robusta coffee, +66.5% for cotton fiber, +34.5% for palm oil, +59.4% for palm kernel oil, +42.2% for rubber, +60.9% for cashew nuts, +20.7% for crude oil, and +29.3% for gold. By contrast, the price of cocoa beans decreased by 1.9% due to the dissipation of market fears surrounding supply and to an increase in production by Côte d'Ivoire during the 2010/2011 growing season.

With regard to government finance, Member States showed an increase in their budget deficits in 2011 compared with 2010. The overall deficit, based on commitments and excluding grants, reached 7.9% of GDP in 2011 compared with 5.4% in 2010, reflecting a tendency towards deterioration in all Member States.

Moreover, by the end of 2011, government debt will represent 43.9% of GDP compared with 43.5% at the end of December 2010. In 2012, this is projected to reach 43.6%. For Côte d'Ivoire to reach the completion point under the HIPC debt relief initiative, the level of indebtedness will have to be reduced further.

With regard to trade, a transaction analysis reveals a more favorable pattern in 2011 than in 2010. The overall balance of payments showed a surplus of FCFA 674.1 billion, an increase of FCFA 135.6 billion over 2010, due to a growing surplus in the capital and financial account.

With regard to the monetary situation, at the end of December 2011, the WAEMU saw an increase of 12.0% in money supply. This increase in overall liquidity translated into an increase

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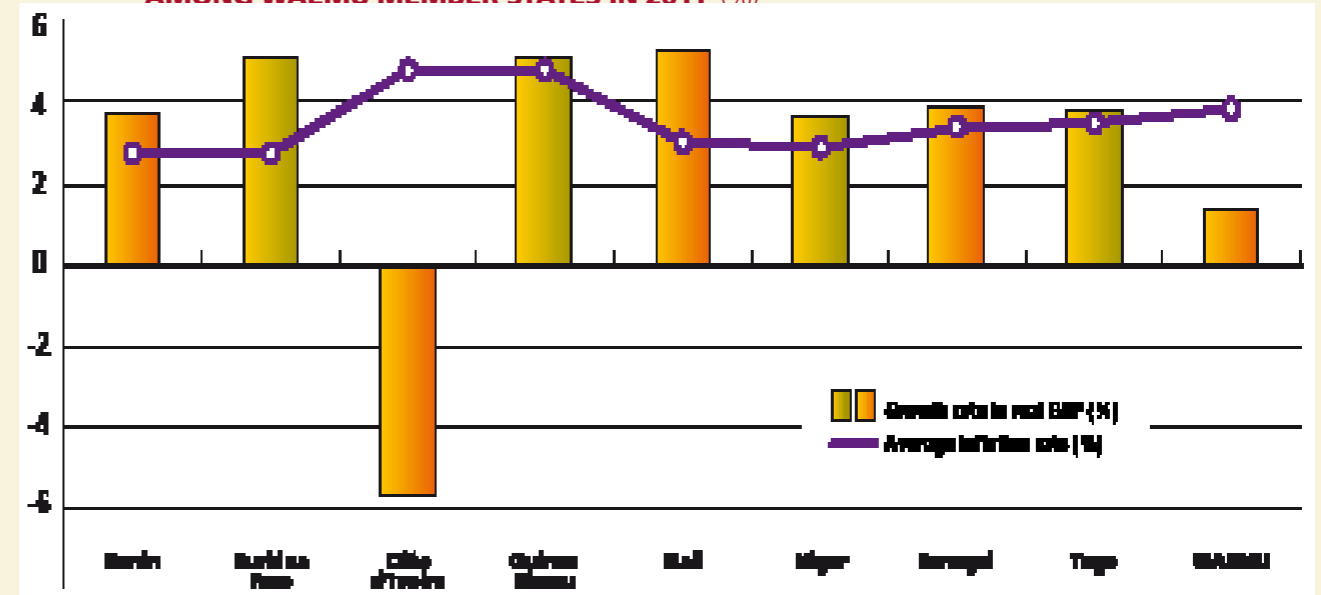
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GRAPH 2 : GROWTH RATES IN REAL GDP AND AVERAGE INFLATION RATES AMONG WAEMU MEMBER STATES IN 2011 (%)



Source : WAEMU Commission, INS, and BCEAO

of FCFA 674.1 billion in foreign assets and an increase in domestic credit of FCFA 875.4 billion (+10.0%), in step with the growth in appropriations to the private sector and the deterioration of the net position of Member States in relation to the banking system.

On the regional financial markets, the fund raising dynamics of 2010 resumed during the second half of 2011 following the conclusion of the political crisis in Côte d'Ivoire. At the primary market level, eleven (11) financial transactions took place and will have increased the sum to FCFA 372.1 billion by 15 December 2011. By comparison, 22 financial transactions brought about the mobilization of FCFA 275.8 billion in 2010.

A grow rate of 6.7% is projected for 2012 due to the resumption of economic activity in Côte d'Ivoire, the start of significant oil production in Nigeria, and the normalization of the sociopolitical situation in the various Member States. This anticipated performance will also depend on how quickly the world economy recovers.

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## 1.2.2. HUMAN DEVELOPMENT

In relation to the WAEMU average in 2011, the countries with the highest Human Development Index (HDI) are Senegal (+45.9), Togo (+43.5), Benin (+42.7), and Côte d'Ivoire (+40.0). Countries with scores lower than the average are Mali (35.9), Guinea Bissau (35.3), Burkina Faso (33.1), and Niger (29.5). Five (5) countries showed considerable improvement in their position, namely Guinea Bissau (+6.4 points), Mali (+5), Senegal (+4.8), Niger (+3.4), and Burkina Faso (+2.6). Guinea Bissau in particular achieved remarkable progress with regard to human development. Côte d'Ivoire (+0.3 points) and Togo (+0.7 points) did not see any significant change in their scores. Only Benin showed a slight decrease in 2011, losing 0.8 percentage points.

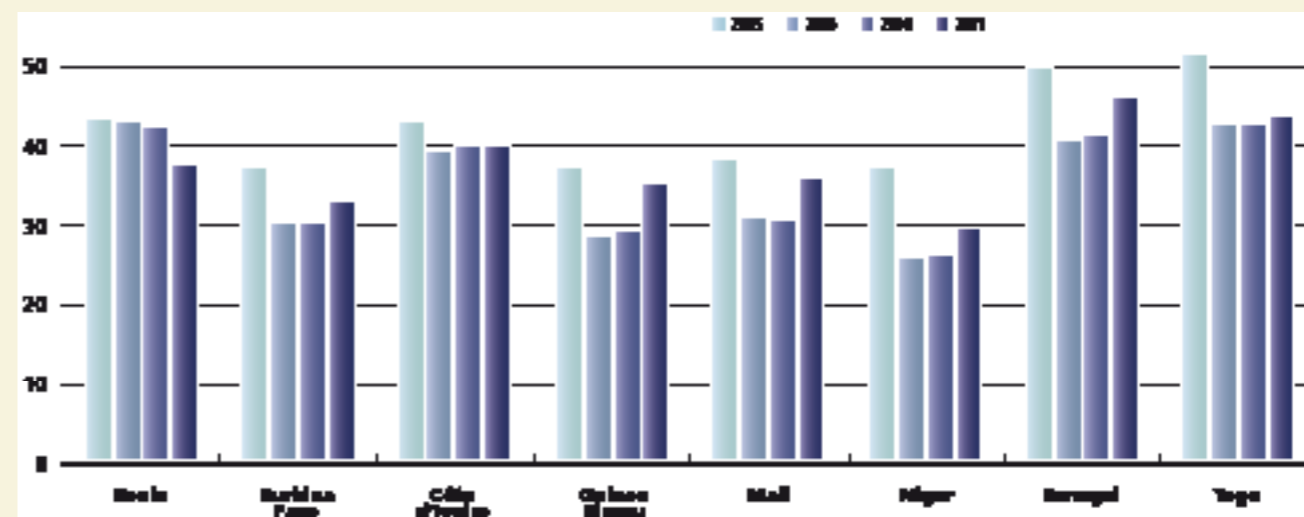
**The overall balance of payments showed a surplus of FCFA 674.1 billion, an increase of FCFA 135.6 billion over 2010**

Overall, the WAEMU countries showed progress with regard to improved living conditions of their populations. However, these advances remain small compared with previous years, and the WAEMU Member States have a long way to go before attaining a respectable HDI score (compare their scores to Norway's: 0.943).

The Multidimensional Poverty Index (MPI), which was introduced in the Human Development Report 2010, measures serious shortfalls with regard to health care, education, and standard of living by examining both the number of people affected and the extent to which they are affected by these shortfalls.

The trends in the MPI (see Figure 4) indicate that multidimensional poverty continues to exist and affects many individuals in the WAEMU Member States. Between 2010 and 2011, Mali saw a

GRAPH 3 : TREND IN HDI IN WAEMU COUNTRIES BETWEEN 1995 AND 2011



Source : UNDP Human Development Reports from 2011 and earlier

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\* Current spending on low-carbon energy, for instance, only represents 1.6% of the most conservative estimates of needs, while spending on climate mitigation and adaptation only represents approximately 11%. Hopes have been placed in new climate finance.

\*\* Environmental degradation negatively impacts the capacities and living conditions of populations (including income and other means) and has an impact on health, education, and other factors related to human welfare.

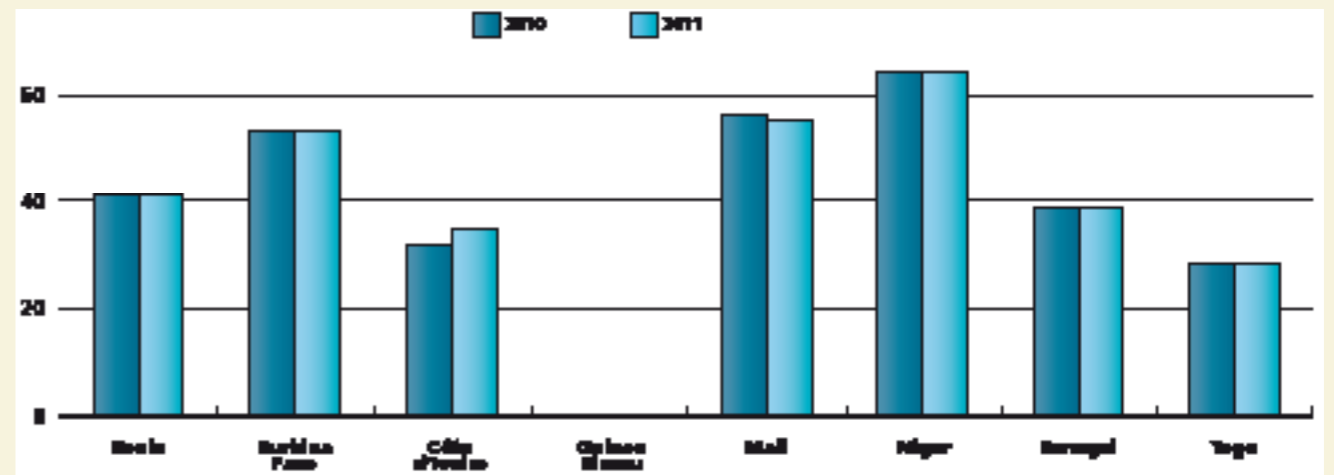
\*\*\* Air and water pollution, lack of sanitation, deforestation and soil degradation, decline in biodiversity, increase in extreme weather events, etc.

statistically insignificant deterioration in its HDI score of -0.6 percentage points, Côte d'Ivoire saw an increase of 3.3 percentage points, and there was stagnation in the other WAEMU Member States (Benin, Burkina Faso, Niger, Senegal, and Togo).

To contribute to combating multidimensional poverty, the Human Development Report for 2011, entitled "Sustainability and Equity: A Better Future for All", identifies the measures required to promoting environmental sustainability and equity. One of these would be to promote social and environmental protection through increased investments promoting equal access to renewable energy\*, safe water, basic sanitation, and reproductive health services. These investments promote progress in achieving both sustainability and human development.

Indeed, they will also allow broader access to a better quality of life, particularly in impoverished strata of society\*\*, which are most vulnerable to the effects of environmental degradation\*\*\*. The number of options and opportunities that benefit the poor should also be expanded.

GRAPH 4 : TREND IN THE MPI IN WAEMU COUNTRIES IN 2010 AND 2011



Source : UNDP Human Development Report, 2011



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### BOX 1

## WAEMU COUNTRIES AND THE MILLENNIUM DEVELOPMENT GOALS

In September 2000, all United Nations (UN) Member States adopted the Millennium Declaration at the Millennium Summit in New York. This declaration was based on the main challenges facing the world with regard to peace, security, governance, development, environmental sustainability, human rights, and democracy.

It defined eight (8) Millennium Development Goals (MDGs), namely: 1. Eradicating extreme poverty and

hunger; 2. Achieving universal primary education; 3. Promoting gender equality and empowering women; 4. Reducing child mortality rates; 5. Improving maternal health; 6. Combating HIV/AIDS, malaria, and other diseases; 7. Ensuring environmental sustainability; and 8. Developing a global partnership for development. Following the example of UN Member States, WAEMU countries are committed to doing everything possible to attain these objectives by 2015.

### OBJECTIFS DU MILLÉNAIRE POUR LE DÉVELOPPEMENT

<b>1</b>   <b>Eradicating extreme poverty and hunger</b>	• The headcount index grew slightly, rising from 50.3% in 1990 to 50.7% in 2008.
<b>2</b>   <b>Achieving universal primary education</b>	• The net school enrollment rate at primary school level has improved considerably, reaching 65.4% in 2008, up from 39.1% in 1990. • The literacy rate for the population aged 15 to 24 rose from 32.9% in 1990 to 46.4% in 2008.
<b>3</b>   <b>Promoting gender equality and empowering women</b>	• The ratio of girls to boys in primary, secondary, and tertiary education rose from 46 girls to every 100 boys in 1990 to 87 to 100 in 2008. • The proportion of women among political representatives rose from 3.4% in 1990 to 12.9% in 2008.
<b>4</b>   <b>Reducing child mortality rates</b>	• The infant and child mortality rate improved from 200 deaths for every live birth in 1990 to 144.2 in 2008. • The infant mortality rate, which stood at 101.7 deaths per 100,000 live births in 1990, decreased to 80.5 in 2008.
<b>5</b>   <b>Improving maternal health</b>	• The maternal mortality rate improved remarkably from 572.1 deaths per 100,000 live births in 1990 to 429.3 in 2008.
<b>6</b>   <b>Combating HIV/AIDS, malaria, and other diseases</b>	• The prevalence of HIV/AIDS among people aged 15 to 24 decreased from 2.2% to 1.8% between 1990 and 2008.
<b>7</b>   <b>Ensuring environmental sustainability</b>	• The proportion of the population with access to an improved drinking water source saw a marked increase, reaching 66.5% in 2008 compared with 41.7% in 1990.
<b>8</b>   <b>Developing a global partnership for development</b>	• Official development assistance to WAEMU Member States totaled US\$ 7.2 billion in 2009 compared with US\$ 3.6 billion in 1990.

The WAEMU Member States' efforts to achieve the MDGs were hampered by numerous constraints, particularly: (i) weak economic growth; (ii) food, energy, and financial crises; and (iii) social, political, and military crises.

Despite the progress made, the WAEMU Member States will not achieve all of the MDGs by 2015. To

do so, a number of significant challenges will need to be overcome, namely: (i) improved alignment of national development strategies with the MDGs; (ii) the maintenance of peace and security; (iii) increased economic growth; (iv) the reinforcement of socially oriented actions; and (v) the development of bilateral and multilateral partnerships.

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## 2.1. OVERVIEW

The continued implementation of its 2009-2013 Strategic Plan allowed the Bank to maintain a solid level of activity in 2011.

In addition to the financial assistance provided by the Energy Development Fund (FDE), loans extended to Member States rose to FCFA 278.8 billion in 2011, compared to FCFA 251.5 billion in 2010 (+10.8%) and FCFA 217.6 billion in 2009.

As regards FDE managed by BOAD, the fiscal year's financing amounted to FCFA 68.5 billion, compared to FCFA 105 billion in 2010.

When including loans extended under FDE, the total volume of loans extended by BOAD in 2011 came to FCFA 347.5 billion, compared to FCFA 356.5 billion in 2010.

BOAD also provided a total amount of FCFA 274.1 billion in the form of direct loans, which made up 95.6% of the bank's total commitments for the financial year. These direct loans contributed to capacity building in power generation, diversification in outputs, greater regional economic integration, and a firmer foundation for sustainable and inclusive economic growth.

With regard to indirect loans, two refinancing facilities in an amount of FCFA 4.8 billion (1.7% of the financial year's approvals) were extended during the financial year to assist in the financing of private projects.

TABLE 2 : DISTRIBUTION OF APPROVALS OF MEDIUM AND LONG-TERM LOANS BY SECTOR IN 2011

	Approvals (Million FCFA)	Number of operations	% Approvals
<b>NON-COMMERCIAL SECTOR (a)</b>	138,342	19	48
including special agricultural programme	9,400	2	3
<b>COMMERCIAL SECTOR (b = i + ii)</b>	148,356	25	52
private (i)	52,078	4	18
public commercial (ii)	96,278	21	34
<b>TOTAL (a+b)</b>	<b>286,698</b>	<b>44</b>	<b>100%</b>

Source : BOAD

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GRAPH 5:  
DISTRIBUTION OF LOANS APPROVED  
IN 2011 PER TYPE OF FINANCING



Source : BOAD

GRAPH 6 : TREND IN BOAD'S AGGREGATE NET  
COMMITMENTS FROM 1999 TO 2011  
(COMMITMENTS OTHER THAN FDE, IN FCFA/BILLION)



The Bank's equity investments totaled FCFA 7.8 billion or 2.7% of approvals for the year and covered both local and international institutions. They allowed BOAD to sustain an agricultural credit fund and to participate in the creation of two agricultural banks, and to reinforce the share capital of Afreximbank, SONIBANK (Niger), and Burkina Bail.

Loan guarantees to a value of FCFA 8 billion were granted.

Short-term financing amounted to FCFA 43 billion, and the Bank facilitated the mobilization of FCFA 44.1 billion for various investment projects.

With regard to medium and long-term financing, the distribution of the financial year's operations by sector was as follows:

These new loans brought BOAD's net commitments to FCFA 1,980.9 billion for 593 projects as at 31 December 2011. Including financing granted under FDE (FCFA 173.6 billion), total commitments amounted to FCFA 2,154.5 billion for 602 projects.

At the end of 2011, BOAD's aggregate commitments (over the medium and long-term) to regional projects amounted to FCFA 802.6 billion, or 40.5% of total funding.

The financial year's disbursements grew to FCFA 131.5 billion as against FCFA 113.8 billion for 2010, an increase of 20.3%. BOAD's aggregate disbursements reached FCFA 1240.7 billion, or a total disbursement rate of 62.6% (excluding FDE).

Based on the Strategic Plan, the Bank's main achievements in 2011 are as follows:

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## 2.2. ACTIVITIES AIMING TO POSITION THE BANK AS A STRATEGIC INSTRUMENT FOR MEMBER STATES

### 2.2.1. FINANCING AGRICULTURE AND FOOD SECURITY

With regard to agricultural development, the Bank's actions aimed particularly to the promotion of food security and reinforcement of support infrastructure for agricultural production. Hence, funding in a total amount of FCFA 43.4 billion was extended to six (6) projects. In allocating these loans, priority was given to projects that increase food production, particularly through hydro-agricultural developments, the rehabilitation or construction of dams, and the promotion of rice cultivation.

**The Bank's actions aimed at the promotion of food security and reinforcement of support infrastructure for agricultural production resulted in the funding of 6 projects, for a total amount of FCFA 43.3 billion**

Loans were also allocated to improving accessibility to production zones through the construction of rural roads, the creation of producers' organizations and building producers' capacities, and the facilitation of populations' access to basic social services. In time, the resources made available should contribute to increasing agricultural income and making them more secure (see Box 2).

Furthermore, as part of climate change control, the Bank carried on with the review of the feasibility study on a crop insurance mechanism within the WAEMU region. This feasibility study, the conclusions of which are presented in the thematic chapter of this annual report, aimed to study the technical, financial, socioeconomic, and organizational feasibility of a crop insurance mechanism in the WAEMU region. It gave rise to two regional workshops, the second of which took place at the Bank's headquarters on 20-21 July 2011. Its conclusions allowed the Bank to launch crop insurance pilot projects in each of the WAEMU Member States.

### 2.2.2 ENVIRONMENTAL ACTIVITIES

The Bank also ensures that the environmental and social components of its projects are better taken into account. In addition, it has been promoting a Carbon Initiative since 2009 with a view to assisting project promoters who are eligible for support from the Clean Development Mechanism (CDM) and the Adaptation Fund. In this connection, the Bank provides technical and financial assistance, from preparation to financing, project concept up to obtaining carbon credits. Thus, the Bank has put in place a portfolio of projects eligible for the CDM as well as

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climate change adaptation projects. A first project was registered for assistance from the CDM with effect from 6 May 2011.

With regard to climate change adaptation projects, in May 2011, BOAD received accreditation as a Regional Implementing Entity for the Adaptation Fund. This accreditation was awarded following the due diligence process by the Accreditation Panel, which testified to BOAD's expertise, particularly with regard to qualified and experienced human resources, appraisal, the reliability of disbursement procedures, and project monitoring. BOAD is currently identifying adaptation projects in the sub-region in the agriculture, forestry, and coastal erosion sectors in order to mobilize Adaptation Fund resources for the benefit of Member States.

### BOX 2

#### FOOD SECURITY WITHIN THE WAEMU ZONE BOAD'S CONTRIBUTION TO THE IMPLEMENTATION OF DECISIONS TAKEN DURING THE MINISTERIAL MEETINGS IN 2008

Following the ministerial meetings organized in connection with the food crisis in the WAEMU region in 2008\*, BOAD implemented a special food security program in accordance with the guidelines issued at these meetings.

The special program followed up the emergency program support to food security, which was also set up based on the recommendation of the Council of Ministers. The emergency action by BOAD consisted of providing financial assistance to Member States (particularly those affected by the food crisis) in preparing for the 2008-2009 growing season. This was done in particular by subsidizing fertilizers.

BOAD also previously made an emergency loan of FCFA 1.66 billion to each of the WAEMU Member States, amounting to an overall program value of FCFA 13.3 billion.

#### The Special Food Security Program (PSSA)

In a bid to increase financing to the agricultural sector, the Council of Ministers requested that BOAD mobilize capital to the value of FCFA 100 billion on the regional market as part of a special financing program. These funds will be used to

promote new projects that aim to increase food production. In view of the leverage effect inherent to BOAD financing, it is hoped that the FCFA 100 billion will, in combination with cofinancing from other donors, inject at least FCFA 300 billion into the WAEMU's agricultural sector.

The Special Food Security Program (PSSA), which was implemented under these conditions, constitutes one of BOAD's most significant contributions to the implementation of the strategy for containing inflation and boosting agricultural production approved by the WAEMU Council of Ministers at the seminar held in Dakar on 27 June 2008.

In 2011, two projects to a value of FCFA 9.4 billion were financed using the resources mobilized through the program. In total, 17 projects to a value of FCFA 91.2 billion have already been financed on behalf of the program, costing FCFA 268.8 billion before tax. An eighteenth project ascribed to the program is in the final stages of consideration of how it might attract resources from the program. It will be submitted to the Board for approval in 2012.

The expected leverage was achieved by the Bank (ratio of 2.9 pending the finalization of

the last project document). Hence, for financing approvals to the value of FCFA 91.2 billion, BOAD contributed to the mobilization of an additional amount of FCFA 177 billion, mainly through other donors (AfDB, World Bank, IDB, KFAED, ABEDA, etc.).

The program implementation should lead to: i) the preparation of 12,877 ha for crop production; ii) the restoration of 3,649 ha of land for crop production; iii) the restoration of 6,000 ha of dune fields (non-localized conventional fields on the edges of cultivated land); iv) the restoration of 3,400 ha of degraded soil; v) the establishment of four (4) small-scale rice mills; vi) the construction of 30 storage warehouses; vii) the issuing of a loan to the value of FCFA 7,432 million to farmers; viii) the installation of 111 water supply points; and ix) the repair and construction of 300 km of rural roads.

Beside the above programs, BOAD provided financing to the value of FCFA 89 billion for 14 agricultural projects in the context of its regular operations.

\* Special meeting of the Council of Ministers held on 23 April 2008 in Abidjan and ministerial seminar of June 2008 in Dakar.

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In addition, with the support of institutions such as the International Organization of Francophone Countries (OIF) and on behalf of its Member States, the Bank organized a workshop in Lomé in July 2011 on the elaboration of climate change mitigation and adaptation projects.

Finally, the process of carrying out a study investigating the possibilities and technical prerequisites for a "Carbon Fund" as well as a "Climate Fund" was initiated in December 2011.

## 2.2.3 NON-COMMERCIAL INFRASTRUCTURE

The Bank considers infrastructure to be the springboard for strong and sustainable economic growth in the WAEMU region. It therefore aims to continuously strengthen its activities in this area.

In the course of the financial year, BOAD financed 13 road infrastructure projects covering 394.2 kilometers of asphalted roads and 24,564 linear meters of paved roads, to an overall value of FCFA 94.9 billion. The objective of these road projects is to facilitate and encourage trade, improve mobility and accessibility, and protect the living environment of the populations in the Union that benefit from these projects. Some of these form part of community investment

### BOX 3

#### FINANCING INFRASTRUCTURE PROJECTS THROUGH LOCAL AUTHORITIES

Thanks to the economic and institutional reforms undertaken in the early 1990s, especially with regard to redefining the role of the State, decentralization has become a development strategy in the WAEMU Member States.

The decentralization process has since evolved, with a gradual transfer of responsibilities and resources from central government to local governments. Nevertheless, the resources granted to local authorities remain insufficient to making the most of all the responsibilities that have slowly been transferred to them. In addition, given rapid population growth and urbanization, local governments have to deal with infrastructure shortages and the degradation of existing infrastructure.

With regard to the significant financial needs that result from these situations, financing institutions such as BOAD are receiving an increasing number of requests from local authorities in the Union for lasting financing of their investments.

In 2011, BOAD issued a loan directly to a local government for the first time, namely to the Dakar City Council. The objective of the operation involving an amount of FCFA 9.7 billion, is to finance all works and equipments relating to the reinforcement of 157 km of roads, the construction of 6 km of urban roads (as part of the unclassified paved road network), and the creation of 2,000 pay parking spaces in the Senegalese capital. The project thus aims to improve

both urban mobility and the living environment of the residents of Dakar.

BOAD hopes to expand its experience in financing local authorities and to contribute to the execution of their investment programs, both in commercial infrastructure and in public and community infrastructure.

In this regard, the Bank will make every effort to assist Member States in carrying through reforms that transfer to local authorities the legal, institutional, technical, and financial powers that will allow them to borrow funds through the banking system. For its part, BOAD is eager to further formalize its strategy with regard to local authorities.

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programs such as the WAEMU Community Action Plan for Infrastructure and Road Transport (PACITR).

### 2.2.4 ASSISTANCE TO MEMBER STATES

In 2011, the Bank provided assistance to Member States and their constituent parts, particularly with regard to participation in the financing of studies and the organization of seminars. An amount of FCFA 111 million was allocated to this category of support.

## 2.3. PARTNERSHIP WITH BUSINESSES AND INNOVATIVE FUNDING

### 2.3.1. COMMERCIAL INFRASTRUCTURE

In order to further increase the competitiveness of the WAEMU economies, the Bank supported seven (7) commercial infrastructure projects by providing financing to the value of FCFA 75.8 billion, representing 26.5% of all financing approved by the Bank during the fiscal year.

The projects that received these resources are in the electricity, airport infrastructure, and telecommunications sectors.

Under FDE, financing rose to FCFA 68.6 billion and concerned four (4) projects.

#### ■ Electricity

With regard to power infrastructure, the challenge for the WAEMU is to arrive at a sustainable solution for its energy crisis. In view of this, BOAD extended loans to a total value of FCFA 47.6 billion for the financing of four (4) projects aimed at increasing electricity generation and distribution capacity in the WAEMU Member States. This financing concerned the construction of the 161-kV Bembereke-Kandi-Malanville interconnection line in Benin, the construction of the 225-kV SENELEC loop in Senegal (Phase I), the construction of the diesel-powered thermal power plant in Gorou Banda in Niger, and the construction and setting up by the Albatros corporation of a 66-MW thermal power plant in Kayes, Mali.

The Bank supported **seven commercial infrastructure projects** by providing financing to the value of FCFA **75.8 billion**



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On behalf of FDE, financing to a value of FCFA 68.6 billion was provided for four (4) projects that also have the objective of reinforcing electrical production and distribution capacity.

### ■ Airport infrastructure

With regard to airport infrastructure, the Bank financed two projects for the construction of an airport and of a charter terminal to a total value of FCFA 18.3 billion.

### ■ Telecommunications

An amount of FCFA 10 billion was allocated to one private investment project for the extension of radio coverage and for the rollout of 3G technology that will allow high-speed mobile internet access.

## 2.3.2 OTHER ECONOMIC ACTIVITIES

The Bank sees the diversification of sources of growth as a requirement for the development of the WAEMU economies. During the course of 2011, it supported the development of economic activities through the issuing of loans to a total value of FCFA 59.9 billion (or 21% of approved financing for the financial year) for use by ten (10) projects. These include agrifood industry (FCFA 9.5 billion), cement plants (FCFA 35.2 billion), hotel industry (FCFA 5 billion), and other industries (FCFA 10.2 billion).

### ■ Agrifood industry

During the financial year, the Bank allocated financing to a value of FCFA 9.5 billion for the implementation of two (2) projects for setting up agrifood industries in the WAEMU region. This funding will contribute to increasing the value of agricultural products, particularly with regard to increasing capacity for beer brewing and cocoa beans processing into semi-finished products (cocoa cake, cocoa mass, cocoa butter). These included:

- A project to set up a brewery with a production capacity of 250,000 hl per year in Abidjan, undertaken by breweries from Côte d'Ivoire;
- A project to set up a cocoa processing factory with a capacity of 16,000 tons per year in Côte d'Ivoire, undertaken by the Ivory Cocoa Products (ICP) corporation.

### ■ Cement plants

A total of FCFA 35.2 billion was committed to support the implementation of three (3) cement plant projects with a total capacity of more than 3 million tons. These projects should supply a

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growing market in cement and supplement local production that can compete with imports. These included:

- Setting up of a cement plant in Benin, undertaken by Nouvelle Société de Cimenterie du Bénin (NOCIBE);
- Setting up of a cement plant, undertaken by Société Nigérienne de Cimenterie (SNC) in Malbaza, Niger;
- Setting up of an integrated cement plant in Astro and a grinding plant in Dio-Gare, undertaken by the Diamond Cement Mali corporation.

### ■ Hotel and tourism sector

The Bank remains active in this sector and allocated financing to a value of FCFA 5 billion to a project involving the construction of a five-star hotel complex and international conference center in Togo by the SODEXH corporation. This complex will allow for an expansion of hotel capacity in the city of Lomé, where there is a growing shortage of high-end hotel rooms.

### ■ Other industries

The Bank also financed projects in other industries to a total value of FCFA 10.2 billion, namely two (2) pharmaceutical projects (FCFA 3.7 billion), one project for the construction and operation of a butane gas depot (FCFA 5 billion), and a project to extend and modernize the production capacity of a printing operation (FCFA 1.5 billion).

#### BOX 4

#### IMPLEMENTATION OF IRED AND THE ENERGY DEVELOPMENT FUND (FDE)

In a bid to resolve the energy crisis that WAEMU Member States have been experiencing for several years, the WAEMU Conference of Heads of State and Government at its session of March 2009 in Ouagadougou instructed the Council of Ministers to ensure that the Regional Initiative for Sustainable Energy (IRED) be diligently implemented by institutions and community organizations.

The implementation of IRED hinges on two main financial levers: i) the Energy Development Fund (FDE) in a concessional capacity, and ii) a private infrastructure fund yet to be put in place, but for which a

feasibility study is currently being conducted. With regard to FDE managed by BOAD, it is expected that a contribution of FCFA 500 billion will be made to the fund, of which FCFA 250 billion have already been put up by regional contributors (BCEAO and the WAEMU Commission). Belgium has also contributed to the fund in the form of a grant to the value of EUR 7 million.

The balance of the contributions required to achieve the fund's financing goals are being sought in the form of loans and grants from development partners. It should be noted that the fund's operating expenses (personnel costs, missions,

consultants, etc., with the notable exception of meeting costs) are included in BOAD's budget unless otherwise agreed by FDE management.

The financing of FDE began in 2010. During the year 2011, this increased to FCFA 68.6 billion, and the cumulative commitments amounted to FCFA 173.6 billion for nine (9) projects.

A consultancy recruited in 2011 to carry out a feasibility study for the private investment fund for energy infrastructure should submit its latest report in 2012.



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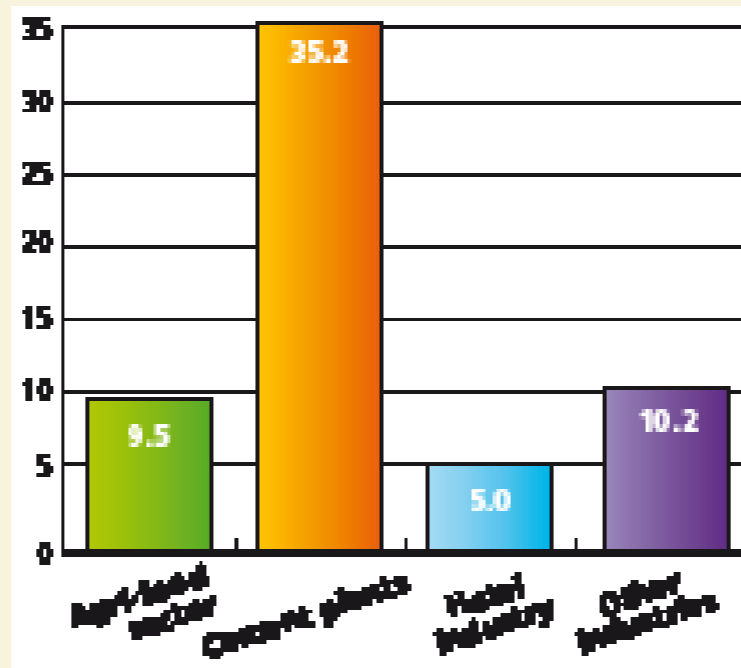
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GRAPH 7 : DISTRIBUTION OF APPROVED FINANCING FOR OTHER ECONOMIC ACTIVITIES IN 2011 (FCFA BILLION)



Source : BOAD

The Bank contributed to the reinforcement of equity and shares in private companies operating in various domains. These investments, totaling FCFA 7.8 billion, were made in both national and international financial institutions.

In the case of the pharmaceutical industry, the funding will allow for expansion in the range of generic drugs available to the most impoverished strata of the population, while the butane gas depot will contribute to improving the supply of a modern energy source and the preservation of vegetation cover.

### 2.3.3. SME/SMI REFINANCING AND PROMOTION

Two (2) refinancing facilities to a total value of FCFA 4.8 billion were extended to the Caisse Nationale de Crédit Agricole du Sénégal and to Burkina Bail, respectively to assist in the financing of private sector projects.

### 2.3.4. EQUITY INVESTMENTS

#### BOX 5

#### STUDY OF THE HOTEL INDUSTRY IN THE WAEMU

In the context of its program of sector studies, BOAD commissioned a study of the hotel industry in the WAEMU region. Some of the conclusions of the report are outlined below. Note that the opinions expressed are not necessarily those of BOAD.

The hotel sector in the WAEMU has vast potential for economic and social development. It is a significant generator of jobs and wealth (income, taxes, etc.) and acts as an outlet for numerous other sectors or economic streams (culture, agriculture, arts and crafts, building and civil industry, etc.).

Yet, its potential remains under-exploited and its expansion is limited by multiple inadequacies and constraints. These limitations include the poor quality of hotel accommodation, weak infrastructure (transport, energy, etc.), the inadequacy of air services, weak financing mechanisms and the failure of financing institutions to adapt to the needs of the sector, the absence of policies to promote the industry, and the increase in sociopolitical insecurity and instability. The development of informal hotels also represents a threat, producing unfair competition for the hotels.

These various constraints pose challenges to the industry and require the formulation of a development strategy for the hotel industry with the aim of making it a sector that generates employment and actively participates in wealth generation. Some elements of this strategy, especially those relating to financing activities, should be as follows:

- Improving existing financing mechanisms by putting in place long-term financing, which would be better adapted to the needs of the sector;

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- Refinancing hotel projects through WAEMU's new Regional Fund for Mortgage Refinancing (CRRH). This would involve CRRH opening a counter for refinancing hotel projects for banks dealing with housing projects in the region. In fact, the modes of financing for the hotel sector would be largely similar to those used for the real estate industry;

- Promoting banks that specialize in financing tourism and hotels. These banks should have significant initial capital as well as opportunities to access international loans and the bond and stock markets on regional exchanges.

- Promoting the Moroccan model, namely that of Crédit Immobilier et Hôtelier, a financial institution that specializes in the

hotel sector as well as in other economic sectors (real estate, for instance) in order to reduce the risks associated with one sector or another;

- Strengthening the missions of national banks that specialize in products specific to the hotel industry. These banks should be active in all activities associated with the hotel industry (acquisition and preparation of sites, construction, expansion, renovation, and equipment).

According to the report, a survey of BOAD's actions relating to the sector suggests that the financing provided by the Bank in this connection relate to large-scale hotel projects, particularly with regard to business accommodation. This has contributed to the provision of quality hotel infrastruc-

ture in the capital cities of the WAEMU Member States.

However, down-market hotel business, including leisure hotel activity, a market segment in which the WAEMU has vast potential, has not received any financing from the Bank. The credit facilities made available to national financial institutions for refinancing hotel projects in this lower market segment have not been used because these banks perceive these projects to be risky.

Finally, according to the study, the market segments with the most potential within the WAEMU hotel industry consist not only of business travelers but also of vacationers visiting high-potential tourist sites in the interior of Member States.

**AFREXIMBANK** : the participation to a value of FCFA 2.5 billion in the share capital of this financial institution, which is active in financing trade in Africa, aimed to create a strategic partnership with a view to developing new activities and skills in various domains, including short-term financing. Beside the expected profitability, this action by the Bank should open other financing opportunities and facilitate the acquisition of new skills in the structuring of short-term transactions.

**SONIBANK IN NIGER**: the objective of the supplemental equity investment in SONIBANK to a value of FCFA 1.07 billion is: i) to help SONIBANK meet the requirements relating to raising the minimum capital banks need to hold to FCFA 10 billion, and ii) to provide the institution with sufficient resources to allow it to reinforce its development strategy.

**CAISSE NATIONALE DE CRÉDIT AGRICOLE DU SÉNÉGAL (CNCAS)**: BOAD's participation in an increase in the CNCAS's share capital to the value of FCFA 1.6 billion was born of the Bank's commitment to the fight against poverty through the promotion of investment in agriculture to the benefit of small-scale farmers and rural business owners.

**AGRIBANQUE-BÉNIN**: the participation in the share capital of Agribanque-Bénin to a value of FCFA 1.0 billion is in line with Bank support for the 2010-2013 Strategic plan for the revitalization of the agricultural sector (PSRSA) in Benin. In addition, it aims to meet potential demand for credit by the agriculture sector.



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**BANQUE NATIONALE DE DÉVELOPPEMENT ECONOMIQUE (BNDE):** this equity investment of up to 10% of share capital in the BNDE, or FCFA 1.0 billion, will contribute significantly to improving access to credit by Senegalese SMEs.

**BURKINA BAIL:** the equity participation to a value of FCFA 688.9 million (or 15%) of the share capital of BURKINA BAIL took place in the context of providing strategic support to this institution in Burkina Faso and restructuring its debt.

### 2.3.5. ACTIVITIES RELATED TO PROVIDING GUARANTEES, FINANCING ARRANGEMENTS, ADVISORY SERVICES, AND SHORT-TERM FINANCING

During 2011, BOAD provided loan guarantees for two bond issues worth a total of FCFA 8 billion.

In accordance with the financing arrangement, the Bank facilitated the mobilization of FCFA 44.1 billion of resources by various companies in the Union with a view to realizing their investments.

In the area of financial advice, the Bank worked with private companies as well as some Member States in connection with transactions such as the restructuring or privatization of companies, the awarding of a GSM license, and the construction of infrastructure.

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**In accordance with the financing arrangement, the Bank facilitated the mobilization of FCFA 44.1 billion of resources by various companies in the Union with a view to realizing their investments**

Finally, in order to better assist the private sector, the Bank put in place a new short-term financing service. This can take the form of cash flow financing or signature commitments – in short, of various facilities that enable the Bank to respond to the short-term requirements of companies or countries (and communities), with the rationale of complying with the principle of subsidiarity in relation to local commercial banks. For the 2011 financial year, short-term financing totaled FCFA 43 billion.

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## 2.4. PROMOTION OF PARTNERSHIPS AND BROADENED ACCESS TO FINANCIAL MARKET STRUCTURES AND INSTRUMENTS

### 2.4.1. PROMOTION OF THE REGIONAL MORTGAGE MARKET

Together with BCEAO, the Regional Board, and the WAEMU Commission, BOAD continued to offer financial support to the establishment of a regional mortgage market and the introduction of securitization in the Union's Member States. In this context, and in collaboration with thirty-eight (38) banks from the region and the continent, BOAD set up the Regional Mortgage Refinancing Fund (CRRH), which has received regulators' approval as a financial institution. Furthermore, BOAD is in the process of launching the establishment of "BOAD Titrisation", a securitization instrument, which was approved on 28 December, 2011 (see Box #7).

The launch of CRRH's activities is underway. Its first bond issue has been submitted for approval by the regulatory authorities.

#### BOX 6

### WAEMU'S CAPITAL MARKET DEVELOPMENT PROJECT

Identified in 2001 in connection with the plan for restarting the regional capital market's activities, the project became operational in July 2005.

This project is a noteworthy example of partnership between the Union's institutions (BOAD, BCEAO, WAEMU Commission, and CREPMF) and development partners (IDA, AFD, CIDA, MIGA).

With respect to strengthening the regional capital market regulatory framework, which is one of its objectives, the project produced the following results (among others): i) new rules for mobilizing public savings were adopted, including the rating introduction that lowers guarantee requirements; ii) laws aimed at standardizing the tax treatment of financial market transactions, products,

and instruments among Member States were introduced; iii) the accounting rules specific to operators on the market were defined and introduced; iv) the fees charged were reviewed and a new schedule was adopted; v) the legal framework necessary to introducing a regional mortgage market and to enable securitization activities was defined and adopted; and vi) measures to deal with stock market offenses were adopted.

Regarding the capacity building of market players, some of the project's outcomes are: i) the financing of training actions for more than 200 staff involved in the market's structures or other Union institutions; ii) the formal commitment to environmental and social management, exemplified by the setting up of a Sustainable Development and

Environment Management Unit to deal with these issues and positioned horizontally in BOAD's organization chart; iii) the upgrading to international standards of BOAD's risk management; iv) the modernization of the procurement rules and procedures applicable to BOAD's borrowers; v) the introduction of a computer software to enable the Regional Board (CREPMF) to monitor the financial market; and vi) support for the launch of the Regional Mortgage Refinancing Fund's activities and of BOAD Titrisation. Finally, since 2009, the project has joined BOAD in the process of obtaining an international credit rating.

The funds from the line of credit granted to BOAD in the context of the PDMF project (or FCFA 44.5 billion) allowed for the financing of fourteen (14) projects in

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partnership with other lenders, to a total amount of FCFA 294.7 billion, all lenders included. The portfolio of projects thus financed includes twelve (12) road projects, one project dealing with interconnecting

electric power grids, and another devoted to port infrastructure rehabilitation. The road improvement projects are part of the priority community trunk roads selected under the PACITR programme.

The PDMF project thus contributed to improving the Union's economic integration by developing infrastructure with a strong integration component.

## 2.4.2. REGIONAL CAPITAL MARKET DEVELOPMENT PROJECT

The Regional Capital Market Development Project (PDMF) continued in 2011. Since it was restructured in 2008, the project's activities have focused on two components including technical assistance and institutional support and an infrastructure credit line (see Box #6).

Following a request addressed to technical and financial partners, the project's closing date, originally set for 30 September 2011, was extended by nine (9) months to 30 June 2012 in order to allow the agreed-upon actions to be carried out. This extension favors the financing of integration-prone infrastructure projects. It will also allow for the consolidation of the positive effects of reforms implemented in the regional capital market.

### ENCADRÉ 7

#### TWO NEW INSTITUTIONS FOR PROMOTING THE MORTGAGE MARKET THE REGIONAL MORTGAGE REFINANCING FUND (CRRH) AND BOAD TITRISATION

As a result of a community initiative started several years ago, the Regional Mortgage Refinancing Fund (CRRH) and BOAD Titrisation are being introduced gradually and are expected to form the backbone of the proposed regional mortgage market.

##### The Regional Mortgage Refinancing Fund (CRRH)

Established on 16 July 2010 in Cotonou, CRRH is the product of a cooperative effort started in 2005 by the Central Bank of West Africa States (BCEAO), the West African Development Bank (BOAD), and the Regional Board for Public Savings and Capital Markets (CREPMF), with a view to introducing a mortgage refinancing market in the WAEMU zone. Its aim is to enable lending institutions within the Union to refinance

the mortgage loans granted to their clients through the Union's capital market.

The fund was set up with an initial capital of FCFA 3,426 million, subscribed by 29 banks in the Union. This capital was increased in June 2011 when SHELTER Afrique and the BSIC Group's banks joined together, and those from the BNP Paribas Group increased their share. At the end of 2011, the share capital amounted to FCFA 4,166 million. Furthermore, ECOWAS Bank for Investment and Development (EBID) has committed to subscribing to CRRH's capital to an amount of FCFA 500 million, and other financial institutions are expected to follow suit.

CRRH is currently managed by a team from BOAD, as stipulated by a resource sharing agreement between the two institutions.

Actions taken by the Bank in this context led to CRRH being approved as a financial institution, effective from 11 November 2011, and to the finalization of operational procedures and management tools as well as the promotion of the fund's activities. At the end of 2011, prospects for CRRH were good.

CRRH is expected to start operating in early 2012. It plans to borrow FCFA 40 billion on the regional financial market in 2012 in order to refinance existing mortgage loans granted by its shareholder banks.

##### BOAD Titrisation

Securitization (translated as titrisation in French) is one of three instruments identified by the Union's institutions that participate in the mortgage refinancing market in the WAEMU.

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BOAD Titrisation, which follows this model, was approved by BOAD's Board of Directors in September 2010.

It is a management company for securitized loans with a share capital of FCFA 500 million.

It aims to promote securitization as a financing and refinancing instrument in the Union's Member States regardless of the borrower or the underlying collateral. In that respect, it is part of BOAD's strategic plan for 2009-2013, one of the priorities of which is to market financial services.

BOAD Titrisation obtained regulators' approval (CREPMF) on 28 December 2011 and has already started operations, notably by participating in the first issue of Sukuk securities by the Government of Senegal.

### 2.4.3. COMMENTS ON GUARANTEES AS INSTRUMENT FOR ENHANCING LENDING

A study commissioned by AFD and BOAD on the bank guarantee market and the guarantee instruments in WAEMU (see Box #8) was the topic of a seminar held on 31 May 2011 in Lomé, which brought together many of the region's guarantee institutions. The target was to promote a more frequent use of guarantees as an instrument for increasing loans to private enterprises, mainly SMEs.

As a follow-up to this study, BOAD started in 2011 two selection procedures aiming to hire consultants in order to carry out two complementary studies. One study would deal specifically with mortgage guarantees and the other with promoting new micro-guarantees in the Union's Member States.

## 2.5. COOPERATION AND RESOURCE MOBILIZATION ACTIVITIES

In 2011, the Bank gave priority to approaching new partners in order to mobilize resources with maturities suited to short-term operations. Meetings were organized with the International Islamic Trade Finance Corporation (ITFC), the Islamic Corporation for the Development of the Private Sector (ICD), the OPEC Fund for International Development (OFID), and Afreximbank. Applications for credit facilities were made in conjunction with these talks.

In parallel, the Bank pursued exchanges with its traditional partners, including AFD, AfDB, India, KfW, and China in order to secure resources to finance its activities.



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### BOX 8

#### STUDY OF GUARANTEE INSTRUMENTS AND THE BANK GUARANTEE MARKET IN THE WAEMU

AFD and BOAD commissioned a joint study of guarantee instruments and the bank guarantee market in the WAEMU region. Its outcomes were discussed at a workshop held on 31 May 2011 at BOAD's headquarters in Lomé.

The core issue is how can one minimize risks when granting loans to the private sector?

The private sector is a key engine of economic growth in general, especially in the WAEMU region. Financial institutions must therefore support it in order to support wealth and job creation. However, while financing is readily available, project quality is often lacking and insufficient collateral is often provided. Hence, the study topic: "What is the nature of the guarantees offered when applying for financing? How commensurate are they with the risks associated with the project?"

The study started with a survey of the inadequate supply of medium and long-term loans coupled with the insufficient use of guarantee instruments. It then confirmed the growing interest among banks in the potential of the SME/SMI market.

The main observations regarding the demand for guarantees by banks and other financial institutions were as follows: i) the banks' bias against guarantee instruments, which is due to the fact that these lead to an increase in the cost of lending; ii) the criteria used by banks with regard

to the choice of guarantee mechanism (celerity of decision, cost of securing the guarantee, creditworthiness of the guarantor, flexibility of the mechanism with regard to adaptation to the bank's procedures, confidentiality, etc.); and, iii) the banks' rationale for requesting guarantees, which highlighted how seldom bank guarantees can compensate for the absence of physical collateral.

Regarding the offer of guarantees, the main observations were: i) the weakness of the financial information provided by SME as a major hurdle in granting loans; ii) the narrow range of guarantee products offered, especially for short-term loans, working capital, and loan portfolios; and iii) the inadequate technical capabilities of regional guarantee institutions, particularly in terms of efficient marketing strategies, and technical dialogues with banks, portfolio risk evaluation tools.

Based on this assessment of guarantee supply and demand, the study suggests that in order to improve market efficiency, there is a need to improve both the quality of services provided and the volume of transactions on the supply side. Moreover, as regards the challenges specific to SME financing, there is a need to match the supply of guarantees to the banks' strategies concerning this clientele with a view to making the supply of loans and guarantees more attractive and efficient.

Avenues for strengthening SME financing could include:

- Continuing to offer partial portfolio guarantees with, if needed, technical support to banks to enable them to take greater risks with SMEs, and especially with small businesses;

- Increasing the capacities of guarantee institutions to provide to the banks attractive services.

Finally, the main action priorities recommended by the study concern, in particular, the following measures:

- Building the capacities of guarantee institutions (supply diversification, risk rating, support to banks and SME developers in an advisory capacity, integration of SME/SMI financing into bank strategies, improving the complementarity between national and sub-regional levels, mapping risks, etc.);

- Improving the quality of financial information supplied by SMEs (mainly through the support of promotional organizations and consular chambers / chambers of commerce) and dealing with the challenge of providing financing to the informal sector;

- Improving the business context when dealing with guarantee enforcement.

These priorities should be the basis for setting up a timetable for building the capacities of guarantee institutions as well as promoting new guarantee instruments.

During the 2011 financial year, the Bank signed three (3) financing agreements amounting to EUR150 million (equivalent to about FCFA 98.4 billion) composed of: i) a credit facility for EUR30 million (or FCFA 19.7 billion) from AFD, to be allocated to private sector projects; ii) a credit facility from the European Investment Bank (EIB) amounting to EUR60 million (or FCFA 39.4 billion),



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divided into two equal parts of EUR30 million each, one at market rate and the other at a preferential interest rate; and iii) a credit facility for EUR60 million (or FCFA 39.4 billion) from China Development Bank (CDB) to be made available for projects in both the commercially operated public sector and the private sector.

Furthermore, two financing agreements are currently being finalized and are likely to be signed during the course of 2012. These concern credit facilities from the Austrian Development Bank (OeEB) and the African Development Bank (AfDB) for amounts of EUR25 million and EUR64million respectively.

On the regional financial markets, the Bank issued bonds to the value of FCFA 50.47 billion.

#### On the regional financial markets, the Bank issued bonds to the value of FCFA 50.47 billion

Regarding the capital increase approved by the Board in June 2011, the Bank has already received participations from all WAEMU Member States as well as from BCEAO, China, and France. A favourable decision has been taken by AfDB, which should soon be followed by its subscription form. The EIB has agreed in principle to an equity participation, but its subscription modalities are still being negotiated.

Two projects endorsed by BOAD are facing launching delays due to instability on the international financial markets, which derives from the sovereign debt crisis gripping some developed countries. These are the application for a credit rating of the Bank by international rating agencies and the feasibility study for a regional fund capable of granting loans at preferential rates based on the IDA or ADF models.

Given its goal of tapping international financial markets, the Bank has been preparing to receive a credit rating for two years. However, due mainly to recent instability in the international financial markets as well as issues relating to the rating agencies themselves, the Bank's Board requested additional time for preparation.

Lastly, being aware of how small it is when faced with the substantial needs of Member States for financing poverty alleviation projects, BOAD has commissioned a preliminary study aiming to set up a preferential rate fund inspired by the IDA or ADF models. The rationale for such a fund lies in the expected benefits in terms of greater capacity for regional resource mobilization. Indeed, an IDA/ADF-type fund would offer greater visibility than the Bank's current Development and Cohesion Fund (FDC). Such a fund would also conform to the practices of large multilateral development finance institutions. However, the current sovereign debt crisis calls into question both the rationale and the timing for such a project.

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## 2.6. REVISIONS TO THE ORGANIZATION CHART, OPERATIONS, AND GOVERNANCE

### 2.6.1. UPDATING RULES AND REGULATIONS

During the 2011 financial year, the Bank updated the rules regulating its financing limits.

### 2.6.2. UPDATING BANK PROCEDURES

#### ■ Launching the first programme budgeting

The year 2011 marked the start of the Bank's first programme budgeting, which was adopted by the Board on 6 January 2011. This approach aims to strengthen the efficiency of the budget process by managing it within the overarching framework of a results-based management model, resulting in a greater responsibility being placed on the Bank's organizational units. The new budgetary approach allows for better monitoring of the execution of the various programs included in the budget.

#### ■ Adopting IAS/IFRS standards

During 2011, the Bank produced and published its first financial statements using the norms laid out in the IAS/IFRS (International Accounting Standards/International Financial Reporting Standards). The resulting conformity with international norms will allow the Bank better access to foreign funds, particularly from the international financial markets.

#### ■ Adopting a second opinion procedure as part of project appraisal

In order to strengthen the initial risk evaluation of projects and of counterparties to which the Bank is exposed, a procedure calling for a second opinion was designed and introduced. This additional risk assessment procedure is provided by the division in charge of managing the risks associated with loan commitments, whose assessment now complements that provided by the operational directorates.

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## ■ Upgrading specific financial policy components

The existing system governing the Bank's financial policy remains relevant. However, it was felt that some updating was needed, particularly with the imminent prospect of BOAD receiving a credit rating from an international agency. The aim is to reinforce indicators of the Bank's financial strength and to improve the institution's image among foreign partners. Therefore, the liquidity policy, the interest risk hedging policy, and the net worth allocation policy were each slightly updated following the Board's approval of proposals to this effect.

### 2.6.3. REVISION OF THE ORGANIZATION CHART

The Bank's organization chart was revised in order to take into account current management requirements. In this context, after establishing divisions for structured financing, projects eligible for funding under the Clean Development Mechanism (CDM), and short-term loans in 2010, new units or centers for specialized operations were created in May 2011. This was the case with the Unit for Resource Mobilization and Cooperation, the Unit for Sustainable Development and Environmental Management, the Organization and Methods Unit, and the Unit for Resident Missions Coordination and Promotion. A staff position was created to coordinate the software projects currently being implemented.

### 2.6.4. IT SYSTEM

Over the fiscal year, the main actions carried out under this category consisted of implementing the Bank's Information Technology Master Plan (ITMP). These actions mostly focused on the governance structure of the programme, building the capacities of staff piloting the programme, outlining project management methodologies, the acquisition of basic tools, and the recruitment of a Project Management Assistant (see Box #9).

### 2.6.5. CORPORATE COMMUNICATION AND KNOWLEDGE MANAGEMENT

Actions carried out under the communication strategy aim to enhance the Bank's reputation and visibility. They also help put in place tools for optimizing information management and sharing of knowledge at internal level.

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The Bank formalized a partnership with a network of economic journalists in the WAEMU region to disseminate information at the regional level. "Open House" events were held in Member States to engage in dialogue with national authorities and meet private sector representatives seeking financing. Such meetings were organized in Côte d'Ivoire and Niger. In addition, the Bank also undertook actions in the fields of corporate social responsibility, civic action, and direct assistance to the populations of Member States.

### BOX 9

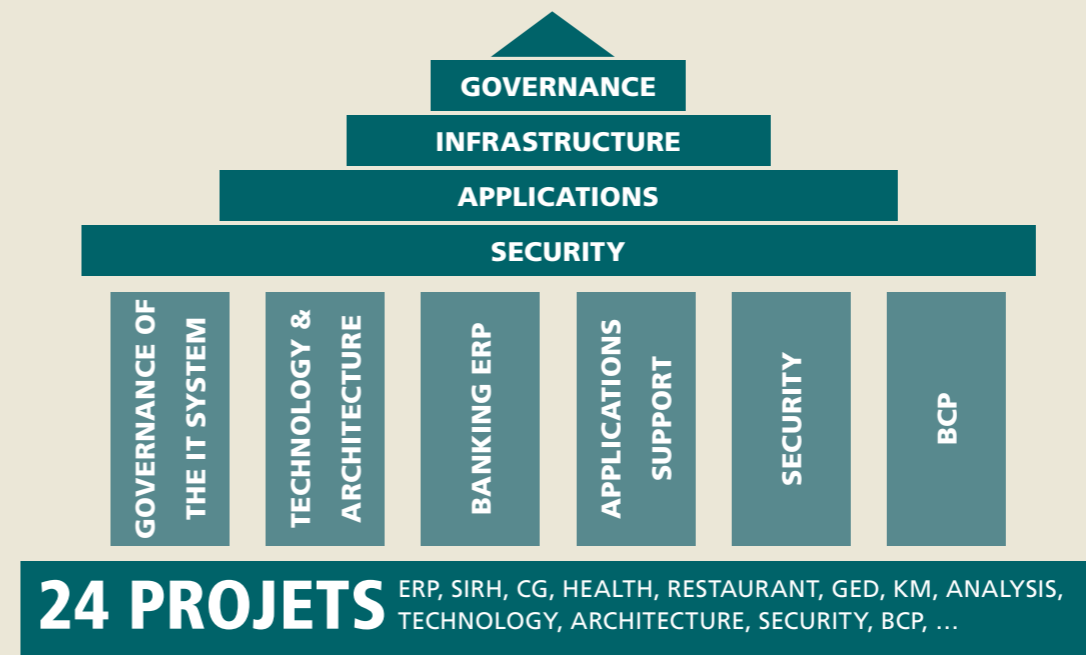
#### BOAD'S NEW INFORMATION TECHNOLOGY MASTER PLAN

The priorities of BOAD's 2009-2013 strategic plan include the modernization and improvement of the security of its IT system.

An Information Technology Master Plan (ITMP) was formulated in order to give the Bank a coherent view of its IT system, and this was approved by the Board on 30 September 2010. It encompasses 24 projects grouped under four headings:

- IT system governance
- Application infrastructure
- Technical infrastructure
- IT system security

The diagram of the "New IT City" under construction is as follows:



Most of the work is currently under execution. On the governance issue, the project team has been put in place and is hard at work on efficiently and effectively managing the program.

With regard to the application infrastructure, a call for tenders for the acquisition of the banking ERP will be made during the first

quarter of 2012. As regards the relevant technology and IT security, significant progress has already been made.

The project team is working diligently to show convincing results by the end of 2012.

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In compliance with the recommendations of the 2009-2013 Strategic Plan, a study on commercial sector financing was commissioned. The preliminary report was used to draft a marketing and commercial repository, which in turn will define the Bank's approach to the commercial sector. Sales support tools were also introduced and initial consideration of an information center dedicated to the commercial sector was undertaken.

As regards knowledge management, the Bank pursued the modernization of its documentary information tools as recommended by the study on modernization conducted by the Documentation and Archives Center as well as the guidelines provided by the Strategic Plan. This approach mainly translated into formulating a knowledge management strategy, launching a multi-year project dedicated to digitizing the Bank's archives (see Box #10) and initiating the use of information management software.

### BOX 10

#### DIGITIZATION OF BOAD'S ARCHIVING SYSTEM

Faced with the challenge of providing documentation at a time when company information has become a key input into decision-making and a major component of operational efficiency, BOAD launched in 2008 a modernization process of its archive and documentation units.

During the 2011 fiscal year, an important step in this undertaking to digitize the Bank's archives was taken.

This initiative concerns the accounting records, the project briefs, the governing bodies' records, and the technical documentation related to the construction of the Bank's former headquarters. This component is estimated at about 800 linear meters of documentation, or approximately 4 million pages to be digitized.

Implemented by a qualified service provider, the project consists of four components:

- Conceptual sorting (sorting, analysis, classification, and coding) of the physical archives according to a new classification system;

- Digitizing the sorted archives using the appropriate equipment;
- Saving the digitized documents in the Bank's document management application;
- Backing up the digitized archives onto electronic storage media.

When the entire project is completed, the Bank will have made significant progress in terms of safeguarding and managing its archives. The outcomes of the project will include:

- A gain in storage space since there will no longer be a need to keep multiple copies of documents;
- The availability of a true research instrument thanks to the formulation of a general classification system for the archives as well as updated analytical indexes of the documentary holdings processed by the Bank;
- Greater speed in searching for archived documents and operational efficiency;

- Online access to digital versions of documents by staff with appropriate clearance tailored to the user's profile;
- The assurance of the completeness and preservation of the Bank's crucial archives;

- The backing up of all digitized archives on modern storage media, which will be available should on-site hardware fail.

By the end of 2011, about 65% of the selected archives had been digitized. This represents 500 linear meters of sorted documents, or 2,800,000 pages now digitized and converted into 193 gigabytes. These were saved in the Bank's document management application.

On the whole, the sorting and digitization of the archives will enable the Bank to take a significant step toward safeguarding and facilitating access to its archives. Furthermore it will contribute to a modern management model and better dissemination of the documentary information.



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The year 2011 was marked by increased efforts to **better control costs within the institution**

### 2.6.6. MANAGEMENT OF ASSETS AND WORKING ENVIRONMENT

The consolidation process for all technical facilities at the headquarters initiated several years ago continued with the introduction of modern equipment that will offer a secure, high-quality working environment.

The year 2011 was marked by increased efforts to better control costs within the institution, in particular through the gradual replacement of office light bulbs with more economical alternatives and through improving supply management and creating more efficient asset management.

### 2.6.7. HUMAN RESOURCE MANAGEMENT

During the fiscal year, the Bank continued earlier initiatives in the context of its human resource management modernization plan, dealing in particular with staff development, setting objectives and performance evaluation, consolidation of the employment and expertise management plan (GPEC), putting in place a social activity plan, and following up on the implementation of the recommendations of the study on remuneration.

Further, the Bank increased its staff by thirteen (13) by hiring newly graduated professionals.

In order to support other human resource improvement initiatives, targeted individual and group training was offered during the year with a view to reinforcing the capacities of employees.

As of 31 December 2011, the Bank's personnel totaled 262 members (251 in operations, 8 seconded with other institutions, and 3 on paid leave).

TABLE 3 : CHANGES IN BOAD STAFF FROM 2009 TO 2011

	Staff as at 31.12.2009	Staff as at 31.12.2010	Staff as at 31.12.2011
PROFESSIONAL STAFF	107	117	142
SUPPORT STAFF	133	132	120
TECHNICAL ASSISTANT	1	1	-
<b>TOTAL</b>	<b>241</b>	<b>250</b>	<b>262</b>

Source : BOAD

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## 2.6.8. FINANCIAL MANAGEMENT

### A. Assets

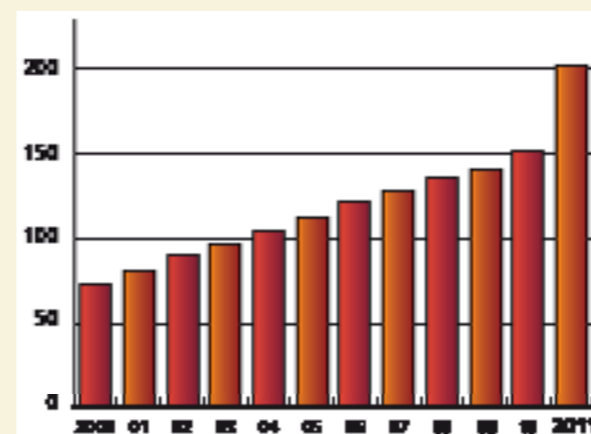
The Bank's total balance sheet increased from FCFA 903.51 billion at the end of 2010 to FCFA 1,099.8 billion at the end of 2011, including the partially subscribed share capital increase approved in June 2010.

The Bank's financial position is sound and characterized by:

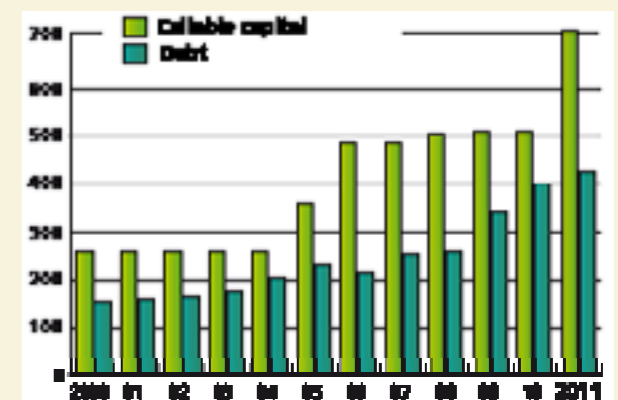
- A balanced financial structure: equity (approximately FCFA 271.9 billion) accounts for 27.9% of total assets excluding the unsubscribed portion of share capital;
- Indebtedness is under control and meets regulatory requirements, and creditworthiness is satisfactory.

Nevertheless, efforts are being made to bring in the promised subscriptions following the June 2010 capital increase in order to strengthen the borrowing capacity represented by this callable capital.

GRAPH 8 : **CHANGE IN EQUITY FROM 2000 TO 2011** (FCFA billions)



GRAPH 9 : **UNSUBSCRIBED CAPITAL AND DEBT FROM 2000 TO 2011** (FCFA billions)



Sources : BOAD



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**The Bank's total balance sheet increased from FCFA 903.51 billion at the end of 2010 to FCFA 1,099.8 billion at the end of 2011**

## B. Operations

The Bank's operations show the following trends:

- The majority of operations consisted of loans (71.8% of earnings from operations), which represents the Bank's main activity;
- The cost of borrowing is generally under control (3.3%);
- A prudent provisioning policy is being pursued and linked to the situation of specific private sector projects.

The non-performing loan portfolio (net degradation rate) was approximately 2.1% at the end of December 2011, compared to 5.3% as at December 2010. This significant improvement is due to a combination of measures taken by the Bank's top management, in particular, the setting up of a monitoring committee in charge of closely monitoring projects in difficulty, better field monitoring with a view to accelerating the portfolio clean-up, and recourse to various legal remedies to recover loans. The Bank is committed to continuing these monitoring and portfolio improvement initiatives.

Given these various trends, the Bank's operations continue to show positive results. Net profits for 2011 reached FCFA 8.1 billion, compared with FCFA 7.9 billion in 2010 (the year in which the Bank switched to IFRS accounting standards, which required some one-time restating that explained past results). Rising profits are increasing the institution's equity. The Bank will continue to monitor its expenses in order to maintain an attractive lending rate structure, as required by the nature of development financing.

### 2.6.9. RISK MANAGEMENT

As regards risk management, the Bank has adopted and is implementing processes and facilities aiming to quantify, monitor, and control its measurable risks (counterparty risks, market risks, and liquidity and operational risks). These facilities are tailored to the Bank's activities, its available resources, and its organization and are further integrated with the comprehensive internal control framework. The main risk categories are being monitored through specific committees (Commitments Committee, ALM Committee, etc.).

The actions that have been carried out over several years, and especially in 2011, should allow for the ex ante improvement of risk management in the medium term by way of gradual adoption of

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\* Credit, market, and operational risks.

\*\* Financing, human resource management, accounting and finance, administration and assets, and acquisition of goods and services.

better practices in this area. In this context, it is worth mentioning that a study was launched with the aim of setting up an integrated risk management system\* inspired by Basel rules. Finally, the improvement and strengthening of portfolio management tools should also be noted.

### 2.6.10. AUDITS

In the context of strengthening corporate governance, the Bank's Audit Committee, established within the Board in 2005, held two regular meetings in 2011.

The internal audit and financial control activities covered all facets of the Bank's operations\*\*. The internal audits performed showed strong points as well as issues that should be addressed in order to improve the internal control system and risk management. Furthermore, the internal audit manual is being updated in order to bring it into compliance with the norms stipulated by the Institute of Internal Auditors (IIA).

As regards management auditing, in addition to performance monitoring tools such as monthly reporting indicators and quarterly analysis reports, mechanisms for setting up cost accounting and a network of monthly reporting indicators linked to the performance evaluation system of each responsibility center were adopted and should have been implemented by the beginning of 2012.

With respect to the external audit process, the accountancy firm KPMG-CI, having been appointed external auditors by the Council of Ministers in March 2010, audited and certified the Bank's accounts for the fiscal year 2011 without reservation as well as those of the Development and Cohesion Fund (FDC) and the WAEMU Capital Market Development Project (PDMF).

The post-evaluation of projects received new impetus during 2011. This consisted in particular of a socio-economic impact assessment covering seven (7) hydro-agricultural development projects located in four (4) Member States.

A performance audit was also carried out on other financed operations. The lessons drawn will allow for: i) improvement in the Bank's policies and procedures dealing with project identification, appraisal, and follow-up; ii) reinforcement of the appraisal and execution capacities of borrowers; and iii) the strengthening of the management capacity of the units in charge of project implementation.

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RAPPORT ANNUEL  
2011

### THÈME DE RÉFLEXION DE L'ANNÉE

# LA FAISABILITÉ D'UN SYSTÈME D'ASSURANCE RÉCOLTE DANS LES PAYS DE L'UEMOA

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In 2010, through an international tender, BOAD hired a consortium of consulting firms to produce a feasibility study on the possibility of a crop insurance mechanism in the WAEMU region.

The study covered the eight WAEMU Member States and was carried out in two phases: February-August 2010 and September 2010-December 2011.

The main steps in the execution of the study were: i) a preliminary study aiming to generate an overview of issues and to collect data. This was done in March 2010 in the eight Member States

by experts from the consortium; ii) data were analyzed and a report on Phase 1 was drafted; iii) a regional workshop on validating the results of Phase 1 was held in August 2010; iv) two BOAD staff members traveled to Quebec in October 2010 to assess Canada's experience in offering crop insurance programs; v) a joint BOAD-Consortium fact-finding mission visited the Senegal National Agricultural Insurance Company (Compagnie Nationale d'Assurance Agricole du Sénégal – CNAAS) and the Benin Agricultural Insurance Company (Assurance Mutuelle Agricole du Bénin – AMAB) in November 2010; vi) additional data were collected in Member States and later analyzed and a Phase 2 report was drafted; vii) a regional validation workshop on the results of Phase 2 was organized in July 2011; and viii) the final feasibility report was compiled and pilot projects in the WAEMU region were designed.

The following memorandum, which presents the results of the study, is divided into four main subsections:

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### I. BACKGROUND AND JUSTIFICATION

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### II. PURPOSE AND OBJECTIVES OF THE STUDY

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## I. BACKGROUND AND JUSTIFICATION

### I.1. AGRICULTURE IN THE WAEMU REGION

Agriculture contributes about one third of GDP within the WAEMU region and provides approximately 60% of all employment. Furthermore, 60 to 80% of the populations live in rural areas, where 70% of the poor are concentrated. The majority of Member States' exports consists of agricultural products. Conversely, food imports account for two thirds of the entire WAEMU zone's debt service.

Within the WAEMU, the agricultural production system remains predominantly rain-fed and extensive, with low crop yields and insufficient mechanization and use of agricultural inputs. Intensive farming is observed in irrigated areas, but this accounts for a small share of the total cultivated land area only.

Food crops occupy an important part of the cultivated land in each Member State. These crops are: grains (rice, corn, millet, sorghum), tubers (yam and cassava), and pulses (mostly groundnuts and cowpeas). Except in Côte d'Ivoire, cereals (corn, millet, sorghum, and rice) dominate. Rice and corn production more than doubled between 1980 and 2008.

This substantial increase in rice and corn yields is due to efforts to improve

production and to increase the amount of cultivated land. This is particularly true of rice, especially in the irrigated areas within the River Niger Basin area in Mali and along River Senegal. In Benin and Togo, corn has spread to northern regions, and in Burkina Faso, it has benefitted from the use of a number of inputs for cotton production.

WAEMU Member States suffer from a shortage of seasonal crops despite having sizable resources in labor, arable land, and water. This shortage, which results from under-utilizing and sometimes misusing potential resources, has created a situation of food insecurity.

Moreover, climate change, declining investment in agriculture in recent years, and the rudimentary level of farming techniques used in most WAEMU countries have also contributed to a worsening in agricultural shortages and food crisis.

In particular, the long-term challenges raised by sub-regional agriculture consist in: i) feeding populations under the combined pressures of rapid demographic growth and accelerated urbanization; ii) increasing production in a sustainable manner; iii) reducing rural poverty by revaluing the work and status of farmers; and iv) successfully managing risks flowing from climate change and major natural disasters (drought, locust invasions, bush fires, etc.).

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## I.2. BENEFITS OF CROP INSURANCE

The establishment of a crop insurance mechanism that is adapted to agricultural producers' needs and rigorously designed and operated will positively impact on producers themselves, the economies of the countries concerned, and the governments that supported its implementation.

■ **For producers,** an efficient crop insurance scheme: i) stabilizes their income and increases their purchasing power; ii) facilitates access to agricultural loans; iii) improves farming practices by highlighting the use of inputs of adequate quality and quantity; iv) promotes crop diversification; v) stimulates the development of market-oriented agriculture; vi) leads to an increase in the size of farms; vii) extends the longevity of farms; viii) favors an increase in savings by farmers; ix) contributes to the welfare of rural communities; and x) leads to increased crop yields.

■ **For the governments and the economies** of WAEMU Member States, a successful insurance scheme will: i) represent a risk management tool that supports rural development policies and agricultural development; ii) stabilizes government interventions in case of major crop damage; iii) reduces ad hoc interventions in case of crop damage through the use of a stable and sustainable tool; iv) allows for the mitigation of some of the negative effects of climate change; v) favours

long-term growth in agricultural exports as a result of greater farm longevity mentioned above; and vi) allows for the correction of some flaws in the market.

■ **For the banking and insurance sectors,** the scheme will: i) open new business opportunities in a sector in which development potential is closely linked to demographic trends; ii) favour an increase in lending to agriculture as a result of increased guarantees offered by the sector; and iii) reduce the financial risk associated with lending to agricultural concerns.

## I.3. REGIONAL DIMENSION OF CROP INSURANCE

The WAEMU zone presents a conducive environment for start-up cost sharing approach. The WAEMU Member States show substantial similarities in terms of geography and economy; hence, they have comparable stakes and are confronted with the same climatic challenges.

Due to their weak economies, Member States often face difficulties in mobilizing their own resources for controlling climate-related risks.

In this context, an adaptive strategy based on sharing means of risk minimization could complement national efforts and other regional actions already implemented or under consideration.



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## I.4. VALUE FOR BOAD OF THE CROP INSURANCE SCHEME

In the rural development sector, the Bank's exposure amounted to FCFA 321 billion as at 31 December 2011, or 16% of total commitments in the WAEMU.

Following the food crisis that affected Member States in 2008, BOAD designed

a strategy aiming to intervene in the agricultural and rural development sectors in order to increase its lending to agricultural projects and promote complementary services and financial products. This should include the crop insurance project, which would allow for increased sustainability of its financing by securing agricultural revenues.

## II. PURPOSE AND OBJECTIVES OF THE STUDY

The purpose of the study is to confirm the technical, financial, socio-economic, and organizational feasibility of setting up a crop insurance mechanism in the WAEMU zone. It takes into account similar schemes already in place in some Member States.

Its specific objectives are to: i) identify and characterize the various climate risks that can be factored into the proposed mechanism; ii) design a crop insurance mechanism for the WAEMU zone, from the premium collection system

to the definition of insured events and compensation of claimants; iii) evaluate alternative management systems with the aim of retaining and justifying the optimal option for the WAEMU context; iv) define BOAD's role and responsibility as well as those of the other main partners (WAEMU Commission, CILSS, Member States, Producers' Organizations, AFD, FAO, World Bank, WFP, other banks, insurance companies, international organizations, etc).

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## III. MAIN RESULTS OF THE FEASIBILITY STUDY

### III.1. RESULTS OF PHASE 1

The main results of Phase 1 led to the identification of the agronomic, economic, climatic, and legal environment of a prospective crop insurance mechanism in the WAEMU zone. The main observations are as follows:

■ **Unique geographic, climatic and agro-economic conditions in Member States:** relevant information was presented about the climate and its changing pattern, trends in a range of agricultural products, crop marketing strategies, credit mechanisms, and relevant insurance companies;

■ **Identification, characterization, and estimate of climate and nature-related risks affecting the WAEMU zone's main agricultural production:** an analysis of the main climatic outcomes (drought, flood) was made. A methodology to assess climate risks faced by agriculture was designed. Orders of magnitude for the losses incurred and the main risk indicators specific to each Member State for its crops (grains, tubers, cash crops) were presented.

The detailed analysis of climate risks influencing the main crops in Member States led to the construction of profiles for each Member State based on the following information: i) data about yields for different crops over a given time-

frame, including comments about the sources and quality of the data; ii) data about temperature and rainfall, including data sources (NCDC, national weather services) and quality assessment; iii) inventory of weather stations in each Member State; iv) description of agro-ecological zones, including those identified by FAO in West Africa, and mapping of each zone by soil type; v) mapping administrative and agro-ecological zones for each Member State; vi) drawing up an inventory of the crop calendar for all main agricultural products by country and for each agro-ecological zone; vii) quantifying the area in square kilometers (km<sup>2</sup>) for each geographic unit retained for the purpose of agricultural risk evaluation; viii) producing summary tables and charts to identify the selected geographic units, main crops, average crop yields, and timing of data collected and assessment of their quality; ix) producing an overview table for each crop loss rate; and x) producing maps showing average yields and loss rates by crop.

■ **Crop insurance as a tool for managing climate and nature-related risks in agriculture:** an analysis of the risks that hinder agricultural development (including production risks, market or price risks, human resource-related risks, institutional risks, and financial risks) was performed. These risks were analyzed according to three





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themes: isolated risks versus systemic risks, limited risks versus combined risks, as well as the intensity versus the frequency of those risks.

A global approach to managing agricultural risks was laid down along three areas: risk sources, farmers' strategies, and public sector actions, and was summarized into a synoptic agricultural risk diagram.

#### ■ Principles underlying agricultural insurance and crop insurance.

Agricultural insurance groups types of protection against climate- and nature-related risks affecting crops. It also covers damage to equipment, buildings, and grass-fed livestock. Optionally, it can cover the farmer's public liability, life insurance, and incapacity protection.

Crop insurance covers solely climate- and nature-related risks affecting crops. It is a risk management tool that allows farmers to devolve risk management to a specialized institution working under a risk-pooling premise.

The administrative expenses and the compensation outlays for this type of protection remain generally lower than in individual protection thanks to obvious economies of scale. Furthermore, when index-based insurance is involved, the need to rely on a network of weather stations in sufficient number to assess crop losses correctly, the pooling of risk is even more necessary.

#### ■ Choosing between individual and collective insurance.

Individual insurance requires detailed and exhaustive statistics on agro-related weather data covering over 20 years of farming operations. The administrative cost of this prerequisite is high since the underwriter must observe in the field losses that would have to be compensated. Premiums for this type of individualized insurance are generally higher than for collective protection.

In the case of collective insurance, the guaranteed capital is derived from historical data collected from farms in geographic zones with comparable characteristics. The loss rates are measured through random sampling of the relevant insured crops by zone or based on objective data (such as a climate index). The administrative expenses and the compensation levels associated with this type of insurance type are generally lower than for individual protection.

■ The introduction of a viable crop insurance scheme must take into account several crucial factors, in particular: a favourable institutional framework, strong endorsement from farmers, technical and professional skills, reliable sources of agricultural and climate-related data, and the related infrastructure (including weather stations).



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## III.2. RESULTS OF PHASE II

Phase II of the feasibility study produced six results, which were validated during a regional workshop held on 20-21 July 2011: i) an analysis of the types of crop insurance adapted to the WAEMU zone (collective insurance based on yields across homogenous areas as well as on a climatic index); ii) a methodology supporting insurable risk pricing; iii) the administrative rules governing a crop insurance scheme; iv) the legal and institutional environment necessary to implement such a scheme; v) the accompanying measures needed for its implementation in the WAEMU zone; and vi) the formulation of pilot projects in each of the eight Member States, a step that would allow BOAD and other interested partners (AFD, World Bank, etc.) to finance crop insurance schemes in these countries.

■ **General features of an index-based crop insurance program** using average yields in homogenous cultivated zones: Yield-based crop insurance rests on a time series covering over 20 years of complete and detailed weather data as well as farm production in areas with similar profiles. The average crop yield thus obtained is applied uniformly to all insured farmers who apply for this type of coverage. Loss rates are measured through random sampling of insured crops by zone.

The content of such index-based crop insurance coverage is the same as for all insurance contracts and has therefore the fol-

lowing main components: i) conditions for insurance; ii) definition of insured areas; iii) identification of crops eligible for insurance; iv) insured yields and insurance guarantees; v) insured values or capital sums; vi) covered risks; and vii) exclusions and final contractual provisions.

### ■ General features of climate-based collective insurance schemes

Crop insurance schemes based on climatic indexes are collective schemes separate from yields, yet correlated with them. While the climatic index is based on rainfall, it takes into account farming yields over a given period in order to establish a strong correlation between the index and actual average yields in a given area.

This approach rests therefore on the prerequisite of weather data that are accurate, reliable, and collected over a long time period, while a similar need applies to yield data.

Climatic index-based crop insurance has the effect of eliminating moral hazard since the claimant is compensated solely on the basis of changes in index. It is also a crop insurance modality that remains less costly to administer except for the requirement for a network of weather stations that must be widely spread out geographically and fully operational.

However, this type of insurance has some drawbacks. The costs associated with the weather station network are significant

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given the quality requirements just listed. This is also the case for the initial statistical analyses that are at the core of the process.

Crucially for the farmers, a crop insurance scheme that is uncoupled from the actual yields observed by these farmers (since the scheme is dealing with averages) remains difficult to understand and to accept. Moreover, the insured farmer has limited contact with the underwriter since the compensation is not directly linked to actual losses.

#### ■ Analysis of the conditions for introducing a crop insurance scheme

Following the analysis of the two types of insurance, it was concluded that:

- Crop insurance should be based on yields in zones for which data are reliable. Similarly, climatic index-based crop insurance should be offered only if such indexes can be computed;
- Due to the lack of sufficient data about some crops such as cocoa and coffee, the main crops of Côte d'Ivoire and Guinea Bissau, it will be difficult to assess the potential risk for these crops;
- Introducing a crop insurance mechanism should rely on a public/private partnership within the context of Member States' policies and rural development strategies;
- The insurance scheme should be subsidized to the extent of the insurance com-

pany's initial capital and possible short-falls in premiums.

■ **Risk pricing:** is the process that leads to insurance premiums being set based on an established methodology.

The methodology is derived from the actuarial principles valid for damage insurance. Each crop's particular case together with its average historic loss rate plays the main role in setting premium rates. The reference premium rate for an eligible crop is a measure of the risk faced by the farmer in future years, assuming that losses in past years reflect exactly those to be expected in future years.

A crop insurance pricing methodology incorporates several objectives, in particular: i) the long-term solvency of the insurance capital; ii) the relative stability of premium rates over time; iii) the use of a unique methodology to price risks; iv) the use of a simple methodology to determine premiums; and v) built-in flexibility in risk pricing.

#### ■ Administrative processes involved in setting up a crop insurance scheme :

Regardless of its nature, implementing a crop insurance scheme involves four processes, which cover all the elements of the insurance contract:

- Obtaining the farmers' endorsement of a crop insurance scheme (using existing micro-finance networks, institutions

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dependent on the relevant ministries of agriculture and their regional offices, organizations devoted to agricultural development, etc.);

- Identifying the assets to be insured based on farmers' statements;

- Assessing the damages suffered by the insured party as per contractual provisions;

- Compensating for losses incurred by the insured as per contractual provisions.

■ **The institutional structures involved** in implementing crop insurance schemes are: i) Member States; ii) the private sector (banks, financing institutions, insurance companies); iii) development partners (World Bank, FAO, AFD, WAEMU Commission, etc.).

■ **Accompanying measures** to ensure successful introduction of crop insurance in the WAEMU Member States

The measures expected to contribute to a successful crop insurance scheme are:

- Training of farmers and implementing agents;

- Training of staff in charge of implementing the program;

- Use of the media;

- Sensitization of the various actors concerned by program implementation (WAEMU Member States, the banking, financial, and insurance sectors, farmers' associations, etc.).

■ **Design of pilot crop insurance projects:** pilot crop insurance projects were identified and designed in order to test crop insurance scheme implementation in each Member State. During a first phase, the Agriculture Insurance Company of Senegal (CNAAS) and the Mutual Insurance of Benin (AMAB) will receive BOAD financing in 2012 in partnership with AFD. Talks are proceeding with other partners to co-finance crop insurance projects in other countries.

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## IV. RECOMMENDATIONS

The study suggests that index-based crop insurance based on yields in comparable areas is better suited to the WAEMU Member States' specific situations, their crop types, and regional farming practices.

The study recommends the following actions with a view to implementing a crop insurance scheme in the WAEMU Member States:

■ **Implement pilot crop insurance projects** in the WAEMU Member States given that the development of agricultural insurance in these countries is based on prerequisites such as the availability of weather and yield data and of adequate infrastructure, acceptance by farmers, the feasibility of assessing insurable capital or values, and the measurement of annual crop yields, it is proposed that:

- support projects be implemented in conjunction with AMAB (Benin) and CNAAS (Senegal), both existing agricultural insurance institutions, by strengthening their operation and extension capacities;
- pilot projects be implemented in Togo, Mali, Niger, and Burkina Faso, countries

where the existing database meets the criteria defined in the feasibility study;

• Implement operational projects in Guinea Bissau and in Côte d'Ivoire, where yield and weather databases are incomplete, with a view to making accessible crop insurance schemes in these countries in the future;

■ **Define a risk insurance strategy** in the context of the implementation of pilot projects;

■ **Encourage government intervention** in crop insurance scheme financing by contributing to the insurance companies' initial capital and by subsidizing insurance premiums during predetermined periods;

■ **Identify assistance programs** in case of agricultural calamities or when the crop insurance schemes are insufficient to alleviate losses in order to define the intervention domain of each tool with a view to ensuring maximum synergy;

■ **Design the optimum institutional framework** for each Member State, taking into account the results of the feasibility study and the further conclusions to be derived from the pilot projects.

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- AAF:** African Agriculture Fund
- ADF:** African Development Fund
- AFD:** Agence Française de Développement (French Development Agency)
- AFDB:** African Development Bank
- AGRA:** Alliance for Green Revolution in Africa
- BCEAO:** Banque Centrale des États de l'Afrique de l'Ouest (West African States Central Bank)
- BCP:** Business Continuity Plan
- BDEAC:** Banque de Développement des États de l'Afrique Centrale (Central African States Development Bank)
- BNDES:** Banco Nacional de Desenvolvimento Econômico e Social (Brazilian Development Bank)
- BOAD:** Banque Ouest-Africaine de Développement (West African Development Bank)
- BRS:** Banque Régionale de Solidarité (Regional Solidarity Bank)
- BRVM:** Bourse Régionale des Valeurs Mobilières (Regional Stock Exchange)
- B TO B:** Business-to-Business
- CDB:** China Development Bank
- CDE:** Centre pour le Développement des Entreprises (Business Development Center)
- CDM:** Clean Development Mechanism
- FCFA:** Franc de la Communauté Financière Africaine (African Financial Community?CFA Franc)
- CIDA:** Canadian International Development Agency
- CILSS:** Comité Permanent Inter-États de Lutte contre la Sécheresse dans le Sahel (Permanent Inter-State Committee for Drought Control in the Sahel)
- CMDP:** Capital Market Development Project
- CREPMF:** Conseil Régional de l'Épargne Publique et des Marchés Financiers (Regional Council for Public Savings and Financial Markets)
- CRRH:** Caisse Régionale de Refinancement Hypothécaire (Regional Fund for Mortgage Refinancing)
- DFI:** Domestic Financial Institution
- ECOWAS:** Economic Community of West African States
- EIB:** European Investment Bank
- ERP:** Enterprise Resource Planning
- FAO:** United Nations Food and Agriculture Organization
- FDC:** Fonds de Développement et de Cohésion (Development and Cohesion Fund)
- FDE:** Fonds de Développement Energie (Energy Development Fund)
- GDP:** Gross Domestic Product
- GEF:** Global Environmental Fund
- GSM:** Global System for Mobile Communications
- HDI:** Human Development Index
- IAS/IFRS:** International Accounting Standards/International Financial Reporting Standards
- IDA:** International Development Association
- IDB:** Islamic Development Bank
- IEPF:** Institut de l'Énergie et de l'Environnement de la Francophonie (Francophone Energy and Environment Institute)
- IFAD:** International Fund for Agricultural Development
- IFC:** International Finance Corporation
- IIA:** Institute of Internal Auditors
- IMF:** International Monetary Fund
- INS:** Institut National de la Statistique (National Statistics Institute)
- IPCC:** Intergovernmental Panel on Climate Change
- IREC:** Initiative Régionale pour l'Énergie Durable (Regional Sustainable Energy Initiative)
- ISESCO:** Islamic Educational, Scientific, and Cultural Organization
- ITMP:** Information Technology Master Plan
- KFAED:** Kuwait Fund for Arab Economic Development
- KFW:** Kreditanstalt für Wiederaufbau (German Development Bank)
- MDG:** Millennium Development Goal
- MIGA:** Multilateral Investment Guarantee Agency
- MPI:** Multidimensional Poverty Index
- NC:** National Communications
- NCDC:** National Climatic Data Center
- NEPAD:** New Partnership for Africa's Development



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- NICT:** New Information and Communication Technology
- ODA:** Official Development Assistance
- OECD:** Organization for Economic Cooperation and Development
- OEEB:** Oesterreichische Entwicklungsbank (Austria Development Bank)
- OPEC:** Organization of Petroleum Exporting Countries
- PACITR:** Programme d'Actions Communautaire des Infrastructures et du Transport (Community Action Plan for Infrastructure and Transport)
- PANA:** Programme d'Action Nationale d'Adaptation (National Adaptation Program)
- PDMF:** Projet de Développement du Marché Financier (Regional Capital Market Development Project in the WAEMU)
- PPDU:** Project Preparation and Development Unit
- PROPARCO:** Promotion et Participation pour la Coopération Economique (Economic Cooperation Promotion and Planning)
- PSRSA:** Plan Stratégique de Relance du Secteur Agricole (Strategic Plan for the Revitalization of the Agricultural Sector)
- REP:** Regional Economic Program
- SDR:** Special Drawing Rights
- SME:** Small and Medium Size Enterprises
- SMI:** Small and Medium Size Industries
- UN:** United Nations
- UNDP:** United Nations Development Programme
- UNFCCC:** United Nations Framework Convention on Climate Change
- USAID:** United States Agency for International Development
- USD:** United States Dollar
- WAEMU:** West African Economic and Monetary Union
- WAPP:** West African Power Pool
- WEF:** World Economic Forum
- WEO:** World Economic Outlook
- WFP:** World Food Programme

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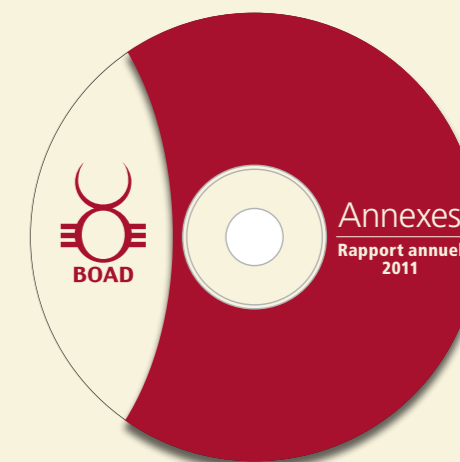
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