ANNUAL REPORT 2017

BOAD

BANQUE OUEST AFRICAINE
DE DÉVELOPPEMENT

TABLE OF CONTENTS

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

1

ECONOMIC AND SOCIAL ENVIRONMENT

1. INTERNATIONAL ENVIRONMENT
2. ENVIRONMENT IN THE WAEMU

2

ACHIEVEMENTS IN 2017

1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
   - 2.1. Accelerating regional Integration through sustained infrastructure financing
   - 2.2. Support for inclusive growth, food security and sustainable development
   - 2.3. Support for corporates and states, development of financial engineering and services
   - 2.4. Deepening the resource mobilization process
   - 2.5. Alignment of management and governance

3

THEME FOR THE YEAR

LA BOAD ET LE FINANCEMENT DU LOGEMENT SOCIAL DANS L'UEMOA

1. BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION: AN OVERVIEW THROUGH THE WORLD BANK/WAEMU PROJECT
   - 1.1. Characteristics of the housing supply
   - 1.2. The housing loan market
   - 1.3. Main constraints affecting housing supply and demand
   - 1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
   - 2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

PRESIDENT'S STATEMENT

In 2017, economic growth resurged in sub-Saharan Africa as a result of a stronger global economic growth, higher commodity prices and improved access to markets. Growth rate during the year stood at 2.8% as against 1.4% in 2016.

Economic performances were stronger in the WAEMU region. GDP increased by 6.7% up from 6.5% in 2016, reflecting dynamic commercial activities, especially in the service and construction sectors, as well as good agricultural outputs in most member countries.

For its part, BOAD supported economies of the Union by providing financial assistance totalling XOF557.6 billion, representing a 11.4% increase compared to 2016. Long and medium-term financing stood at XOF477.9 billion while XOF71.1 billion went into short-term loans, aimed at supporting various funding needs for economic operators. Approximately XOF8.6 billion went into strategic equity investments in the capital of banks and companies.

Loans granted by the Bank will contribute to the implementation of important investment projects in priority areas such as energy, agriculture, transportation, road, ports and airports infrastructure, or in the area of companies' operating cycle.

Some of the activities carried out during this financial year include a regional project for the promotion of affordable housing initiated by BOAD in conjunction with the World Bank Group. Given the difficulties of access to accommodation for most citizens of the Union, the Bank launched a WAEMU/World Bank project to funding affordable housing. This project aims at: i) promoting 50,000 new mortgage loans for affordable housing over a five-year period; ii) providing technical assistance to improve regional know-how in terms of technical and financial engineering applicable to national social housing programmes. Out of agreements signed for a total of US$155 million, BOAD borrowed US$130 million from the World Bank and on-lent to the Regional Mortgage Refinancing Fund (CRRH) of the West African Economic Monetary Union (CRRH-UEMOA), the backbone of this project. The additional US$25 million mobilized in the form of grants are lodged with the WAEMU Commission.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

As at 31 December 2017, loans granted during the year brought net cumulative commitments of the Bank to XOF4,914.8 billion covering 1,107 operations.

Disbursements for the year totalled XOF309.6 billion, bringing the cumulative disbursements to XOF3,082 billion, and resulting in a cumulative disbursement rate of 62.7%.

In terms of resource mobilization, the Bank conducted its second bond issue on the international capital market. The operation involved an amount of US$850 million representing XOF479.3 billion for a ten-year maturity. This was made possible by the "investment grade" rating that the Bank has obtained since 2015. Furthermore, four bilateral agreements were signed with partners for a total of €233 million, or XOF152.8 billion.

During the year, the Bank began yielding its first results from resource mobilization from green funds, namely Global Environment Facility (GEF) and Adaptation Fund (AF). The Bank also mobilized XOF6.2 billion for financing "climate projects" in the areas of renewable energies and climate-smart agriculture.

Internally, the process for setting up an ad hoc financial management facility is still ongoing.

Income for the year stood at XOF13.2 billion, up from XOF10.5 billion as at the end of 2016, accounting for a 25.7% increase, thereby consolidating the Bank's capital base.

In 2018, the Bank will be celebrating its 45th anniversary. The commemoration is centred around renewable energies and on solar energy in particular.

In view of the strong support that the Bank has received from the highest authorities of member countries, I would like to take this opportunity to express my deepest gratitude to them. My thanks also go to our partners for their technical and financial support. Finally, I would like to congratulate and applaud the efforts of the Bank staff, and encourage them to work at the progress of every area of the institution.

CHRISTIAN ADOVELANDE
President, BOAD

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

LIST OF ACRONYMS AND ABBREVIATIONS

AFD : Agence française de développement (French Development Agency)
AfDB : African Development Bank
BADEA : Arab Bank for Economic Development in Africa
BCEAO : Central Bank of West African States
BCP :Business continuity plan
BOAD :Banque Ouest Africaine de Développement (West African Development Bank)
CDP : ECOWAS Community Development Programme
CILSS : Permanent Inter-State Committee on Drought Control in the Sahel
CPDN : Intended Nationally Determined Contributions
ECOWAS : Economic Community of West African States
EIB : European Investment Bank
ERP : Enterprise resource planning
FAO : United Nations Food and Agriculture Organization
FCFA : Franc de la Communauté Financière Africaine (Franc of the African Financial Community)
FCFA/XOF BLN : Billion Francs CFA
FDC : Fonds de Développement et de Cohésion (Development and Cohesion Fund)
FDE : Fonds de Développement Energie (Energy Development Fund)
FED : European Development Fund
FER : Road Maintenance Fund
GDP : Gross Domestic Product
GEF : Global Environment Facility
HDI : Human Development Index
ICD : Islamic Corporation for Private Sector Development
IDB : Islamic Development Bank
3IE : International Initiative for Impact Evaluation
IFAD : International Fund for Agricultural Development
IMF : International Monetary Fund
IRED : Initiative Régionale pour l'Energie Durable (Regional Initiative for Sustainable Energy)
MLT : Medium and long-term
PER : Programme Economique Régional (Regional Economic Programme)
PIR : Programme Indicatif Régional (Regional Indicative Programme)
PPIAF : Public-Private Infrastructure Advisory Fund
PPP : Public Private Partnership
RCC : Regional Collaboration Centre
SAP : Systems, applications and products for data processing
SME : Small and medium-sized enterprises
ST : Short-term
UNIDO : United Nations Industrial Development Organisation
UNDP : United Nations Development Programme
URDPPP : Regional Public-private Partnership Project Development Unit
WAEMU : West African Economic and Monetary Union
WAPP : West Africa Power Pool

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017

Date de création	14 November 1973 Commencement of activities in 1976
Shareholders	- WAEMU member countries: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, Togo - BCEAO (Central Bank) - Non-regional shareholders: AfDB, EIB, France, Belgium, Germany, Export-Import Bank of India, People's Republic of China, Kingdom of Morocco
Mission	PPromoting the balanced development of member countries and contributing towards the economic integration of West Africa
Vision	BOAD: a solid development bank for the economic integration and transformation in West Africa
Authorized capital as at 31 December 2017	1 155 milliards FCFA
Subscribed capital as at 31/12/2017	XOF1,103.6 billion
Total balance sheet as at 31/12/2017	XOF2,653.2 billion
Operational staff of the Bank as at 31/12/2017	276 staff members

Loans granted in 2017	**60 operations involving a total of XOF557.6 billion, in the form of:**	
	Direct loans	: XOF420.4 billion, or 75.0%
	Indirect loans	: XOF128.6 billion, or 23.0%
	Equity investments	: XOF8.6 billion, or 2.0%
	Breakdown of loans per sector:	
	Non-commercial sector	: XOF173.7 billion, representing 31.2% (26 operations)
	Public commercial sector	: XOF162.8 billion, representing 29.2% (12 operations)
	Private sector	: XOF221.1 billion, representing 39.6% (22 operations)
	Breakdown of loans per category	
	National projects	: XOF380.8 billion, representing 68.3
	Regional projects	: XOF176.8 billion, representing 31.7%
Total net commitments, 1976-2017	XOF4,914.8 billion for 1,107 operations.	

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

28 February

Organization of a regional workshop on "affordable" housing

The World Bank, the First Initiative Facility, BOAD and CRRH-UEMOA held a regional workshop on 28 February at the BOAD headquarters in Lomé (Togo), to validate a study on affordable housing financing in WAEMU member countries.

The findings of this study are contained in Part II of this annual report.

The workshop was attended by ministers and other representatives of the member countries of the Union, representatives of community institutions, the Bankers' Association (APBEF), professional associations of DFIs, as well as property developers operating in the WAEMU region.

25 - 31 March

Participation in the 12th Conference of Parties to the Abidjan Convention

From 25 to 31 March, the Bank participated in the 12th Conference of Parties to the Abidjan Convention. The initiative focuses on the management and development of the marine and coastal environment of the Atlantic coast, for the West, Central and Southern Africa.

On the sidelines of the event, the Bank participated in the West Africa Coastal Areas (WACA) Management Program workshop, which was held from 25 - 26 March.

The WACA regional program is a framework plan, which should lead to multisectoral investment projects for climate change adaptation. Some projects of this nature are already in preparation.

Five WAEMU countries are parties to the WACA program and the Abidjan Convention. These include Benin, Côte d'Ivoire, Guinea Bissau, Senegal and Togo.

BOAD could serve as an implementing entity for regional projects funded under the WACA program.

30-31 March

Co-hosting of the AFRACA workshop

BOAD and the AFRACA Secretariat co-organized a workshop at BOAD headquarters on 30 and 31 March to discuss the main findings of a feasibility study on agricultural finance training for French-speaking AFRACA member countries. Such training, similar to what is being provided at the Kenya School of Monetary Studies (KSMS), is being considered for English-speaking members. The study will lead to the establishment of a professional certificate in agricultural finance.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING
IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

The workshop was attended by central bank governors, representatives of banking and financial institutions, technical and financial partners (AFD, FAO, ADA, etc.) and others.

BOAD is expected to host the agricultural finance training for francophone members of AFRACA.

The meeting was preceded by a Central Bank Governors' Round Table. On this occasion, the governors shared experiences on agricultural finance models and risk coverage. They also shared views on impact investments.

12 June

BOAD arranges €84.8 million financing for the construction of 90 MW thermal power plant at Kayes by Albatros Energy Mali

As part of its support for independent power generation in the WAEMU region, BOAD, as lead arranger and lender, mobilized €84.8 million (XOF55.6 billion) for Albatros Energy Mali, for the construction of a 90 MW thermal power plant at Kayes. Full financing was secured on 12 June.

Bank loans syndicated by BOAD represent approximately 70% of the total cost of the project, which involves €123 million.

The project will increase Mali's power generation capacity by about 25%. It will help reduce the country's energy deficit, increase access to electricity, and reduce the cost of power generation.

20 July

2ème émission de la BOAD sur le marché financier international

The Bank floated a second Eurobond in July 2017. The new operation raised $850 million over a 10-year maturity. The bonds were issued with a yield of 5.25% and an annual coupon of 5%. The transaction was then swapped into Euro.

6 -16 September

Participation in the 13th Conference of Parties to the United Nations Convention to Combat Desertification (UNCCD)

BOAD participated in the UNCCD COP 13, in Ordos, China. The conference adopted 37 decisions related to desertification, land degradation, drought, land degradation neutrality, as well as the alignment of the objectives and programs of action of the Convention with the United Nations Sustainable Development Goals (MDGs).

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING
IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

This conference saw the launching of the LDN (Land Degradation Neutrality) Fund, dedicated to financing the private sector within the framework of neutrality in terms of land degradation.

7 September

Official launch of the benchmarking model of the Regional PPP Project Devpt. Unit

The Regional PPP Project Development Unit, located at the BOAD headquarters, launched and officially handed over to the WAEMU member countries a financial benchmarking model, a PPP decision-making tool.
A launch ceremony held in Lomé at the BOAD headquarters on 7 September was attended by the eight heads of national PPP units, as well as representatives of institutions such as AfDB, AFD, EBID, WAEMU Commission and PPDU.

2 October

AFD/BOAD Day

The AFD Group is one of BOAD's first financial partners. To deepen their cooperation, the two institutions periodically organize meetings, alternately in Paris and then Lomé, for their top officials. The purpose of these meetings is to share experiences and seek ways of strengthening the partnership.

The last edition of this type of meeting took place on 2 October in Paris, at the AFD headquarters.

23 October

Partial financing agreements signed for the construction and operation of a 50 MWp BOOT photovoltaic plant at Kita, Mali

The project aims to build and operate the largest photovoltaic plant in West Africa. It will supply around 92,000 households per year, while avoiding the annual emission of 51,744 tons of CO2.

With the signing of the related loan agreements, the Bank reaffirms its commitment to finance renewable energy projects contributing to the reduction of greenhouse gas emissions or other forms of pollution.

6-17 November

Participation in the 23rd UNFCCC Conference of Parties

La Banque a participé à la 23ème Conférence des Nations Unies sur les Changements Climatiques The Bank participated in the 23rd United Nations Climate Change Conference (COP23), held from 6 to 17 November in Bonn, Germany. The Bank participated in its dual capacity as observer and financing institution for climate activities.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING
IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Parties adopted 31 decisions, including 24 under the COP and 7 under the Kyoto Protocol (CMP).

At this COP23, the Bank held several bilateral or multilateral meetings. It also co-hosted a side-event on the issue of financing of nationally determined contributions (NDCs). Partners in the initiative were the WAEMU Commission, ECOWAS, CILSS and IFDD.

30 November

GEF technically approves concept note for waste management project with BOAD as implementing entity.

At its 53rd session held in November 2017, the Board of Directors of the Global Environment Facility (GEF) approved a concept note for a project submitted by BOAD. This is a regional project for sustainable waste management and reduction of UPOP emissions as well as mercury in six WAEMU countries.

The total cost of the project is approximately XOF49.6 billion. The GEF will provide support in the form of grants, for XOF9.2 billion, while BOAD and other donors will provide co-financing of up to XOF34.5 billion and beneficiary countries contribute up to XOF6.4 billion.

The project will help promote a circular economy in the management of all forms of solid waste.

7 December

Participation in the inauguration of the Blaise Diagne International Airport (AIBD) in Dakar

The President of the Republic of Senegal, H.E. Macky Sall, surrounded by his counterparts from Gabon, Guinea Bissau and Gambia, inaugurated the AIBD on 7 December.
With an overall cost of XOF424 billion and a capacity of 3 million passengers/year, expandable to 10 million, the airport was co-financed by AfDB, IDB, AFD, Saudi Fund for Development (SDF), OPEC Fund, IDC and BOAD. The Bank contributed XOF17 billion in the form of a loan.

With this project, Senegal has a more modern, safer and technologically advanced airport. The facility will make it easier for Dakar to absorb an increasing volume of air traffic.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING
IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

11-12 December

BOAD joins the "Climate Action in Financial Institutions" initiative

On the sidelines of the "One Planet Summit", held on the occasion of the second anniversary of the Paris Climate Agreement, BOAD participated in the "Mainstreaming" jointly organized by AFD and the IDFC (International Development Finance Club). During the event, BOAD joined the Climate Action in Financial Institutions initiative, launched in 2015 at COP 21.

The initiative brings together more than 30 public and private financial institutions, which are committed to implementing five voluntary principles for integrating climate into strategies, programs and operations, with a view to achieving better sustainable results in the short, medium and long term.

The principles include: (i) development of a climate strategy, (ii) management of climate risks, (iii) promotion of intelligent climate objectives, (iv) improvement of climate performance, and (v) public reporting of its climate action. These principles are intended to help financial institutions support low-carbon and climate-resilient development.

13-14 December

Participation in the Niger Roundtable on Financing the 2017-2021 Economic and Social Development Plan (PDES)

On 13 and 14 December, BOAD participated in the Niger Roundtable of Partners for financing the PDES.

Organized by the Government of Niger, with the support of technical and financial partners such as the World Bank, the event aimed to mobilize the country's partners, as well as other public and private investors, around the financing of the PDES.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT
1. INTERNATIONAL ENVIRONMENT
2. ENVIRONMENT IN THE WAEMU

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING
IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Work on an electrification site
(Guinea bissau)

ECONOMIC AND SOCIAL ENVIRONMENT

Over the past seven years, the WAEMU region's economic performance is encouraging and better than that of Sub-Saharan Africa. Economic activity has increased in all the member countries, boosted by improved performance in all sectors

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT
1. INTERNATIONAL ENVIRONMENT
2. ENVIRONMENT IN THE WAEMU

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING
IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

1. INTERNATIONAL ENVIRONMENT

The global economic recovery continues to strengthen, in line with increased investment, trade and industrial production. The global economy thus grew by 3.6% in 2017 as against 3.2% in 2016. Economies of advanced, emerging and developing countries are recovering steadily.

In developed countries, economic activity grew by 2.2% in 2017, as against 1.7% in 2016, as a result of the consolidation of consumption, continued investment, and the dynamism of external demand.

Economic growth in emerging and developing countries reached 4.6%, as against 4.3% in 2016, driven by the dynamism of the Chinese economy (6.8% in 2017 against 6.7% in 2016).

Sub-Saharan Africa showed an improvement in 2017, although at a lower level than in 2015 (see graph 1). Growth stood at 2.6%, as against 1.4% in 2016, mainly due to increased oil production, robust agricultural sector and the good performance of service sector.

Consumer prices in advanced countries recovered slightly in 2017. Inflation rate in these economies stood at 1.7% as against 0.8% in 2016 and 0.3% in 2015. In emerging and developing countries, on the other hand, inflation dropped slightly to 4.1% in 2017 from 4.3% in 2016 and 4.7% in 2015.

In foreign exchange markets, the Euro appreciated slightly against the US dollar (+0.81%) and the Swiss franc (+0.65%). It appreciated strongly against the Japanese yen (+4.14%) and the pound sterling (+6.92%). The British pound continues to suffer the effects of Brexit. Among emerging countries' currencies, the Chinese renminbi continued to depreciate (-3.05%) while the South African rand recovered by 9.85% over the period. On the West African market, the CFA franc was strong against the major currencies of the sub-region.

The outlook for 2018 was favourable, both for the international economic environment and for WAEMU member countries. Global growth is expected to continue its recovery, to stand at 3.7%.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

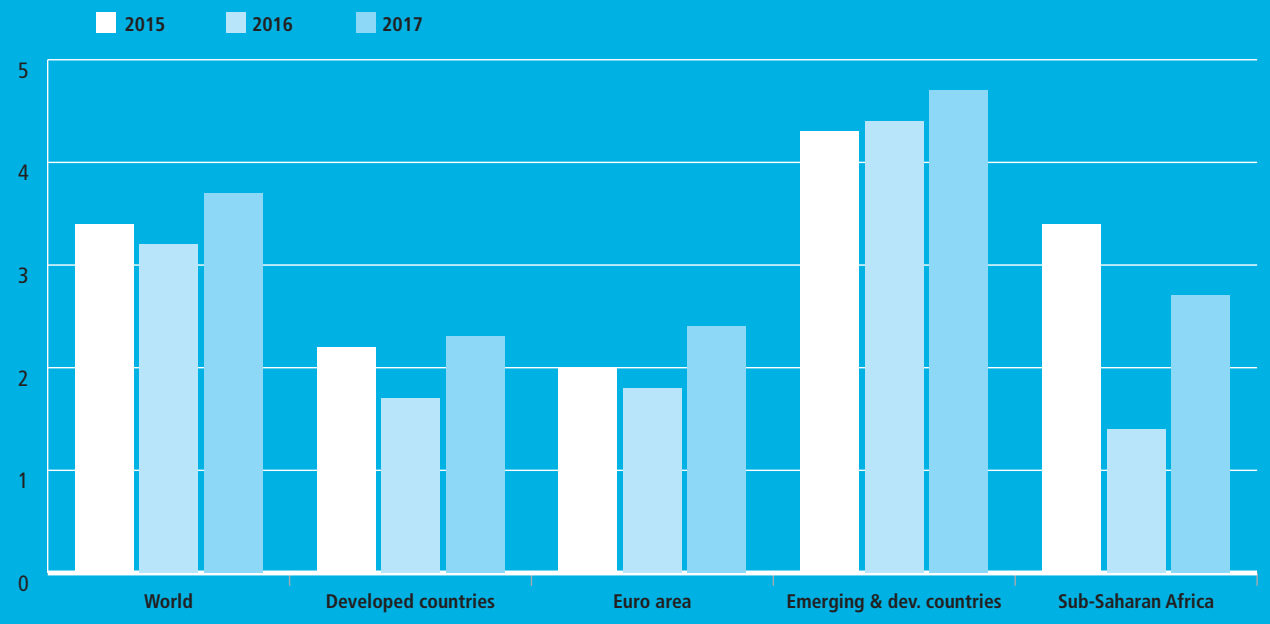
SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT
1. INTERNATIONAL ENVIRONMENT
2. ENVIRONMENT IN THE WAEMU

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING
IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Graph 1
Economic activity over the 2015-2017 period (%)



Source : IMF data (PEM, January 2018).

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT
1. INTERNATIONAL ENVIRONMENT
2. ENVIRONMENT IN THE WAEMU

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING
IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

2. ENVIRONMENT IN THE WAEMU

Growth within the WAEMU region stood at 6.8% in 2017, as against 6.6% in 2016. Economic activity improved in all member countries, driven by improved performance in all sectors.

The robust performance of the primary sector is due to the continued investment efforts made as part of the implementation of national agricultural development programmes.

Activity in the secondary sector was boosted by the dynamism of public works, particularly with the construction of basic infrastructure and the development of investment in the extractive industries.

Performance in the tertiary sector was boosted by trade, transport and communications.

Growth rate per country is as follows: Benin (+5.4%), Burkina Faso (+6.9%), Côte d'Ivoire (+8.1%), Guinea Bissau (+5.9%), Mali (+5.3%), Niger (+5.2%), Senegal (+6.8%) and Togo (+5.0%.

The graph shows that economic activity in the Union is taking place in a context of price control. Indeed, inflation rate stood at 0.8%, as against 0.3% in 2016, in line with increases in oil and food prices in most Member countries.

The WAEMU region also posted encouraging economic performances over the past seven years, outperforming other economies in sub-Saharan Africa, as shown in graph 3 below.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT
1. INTERNATIONAL ENVIRONMENT
2. ENVIRONMENT IN THE WAEMU

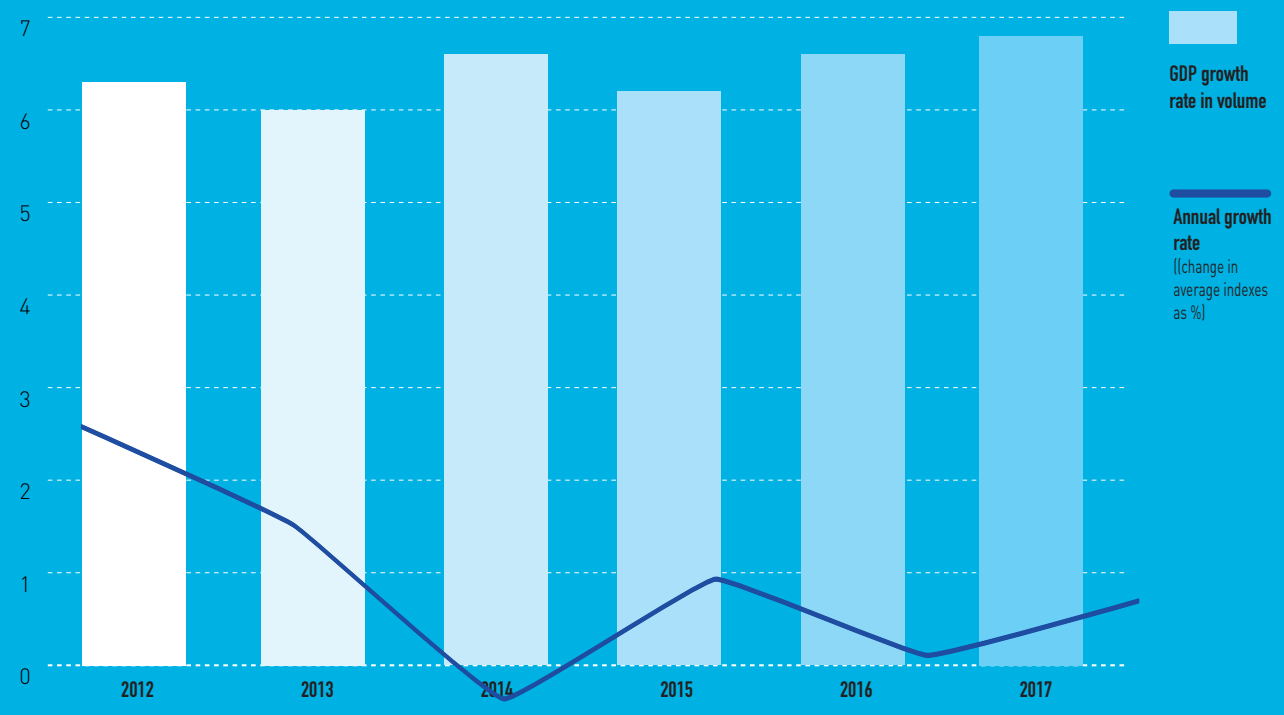
SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING
IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Graph 2

Growth and inflation rates in the WAEMU region over the 2012-2017 period



Source : Commission de l'UEMOA, Rapport d'exécution de la surveillance multilatérale, décembre 2017.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT
1. INTERNATIONAL ENVIRONMENT
2. ENVIRONMENT IN THE WAEMU

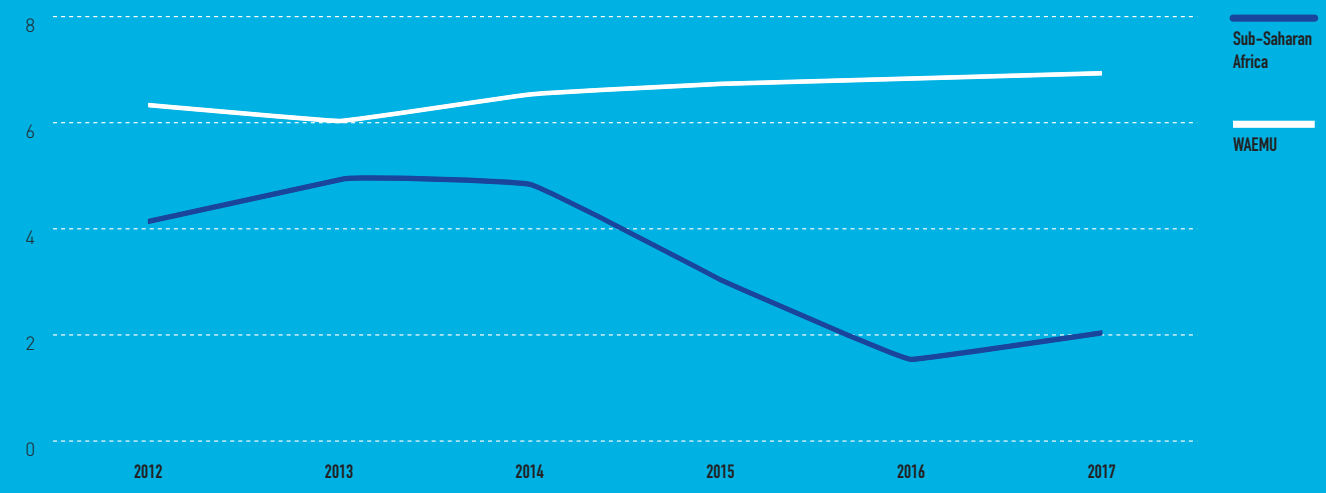
SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING
IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Graph 3

Comparative increases in economic growth in WAEMU and sub-Saharan Africa (%)



Source : WAEMU Commission, IMF.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Blaise Diagne International Airport at Diass (Senegal)

2 ACHIEVEMENTS IN 2017

In 2017, through its loans, BOAD contributed to financing companies' operating cycles and implementing new projects in the priority areas such as transport and energy, as well as increasing capacities for the provision of customized products to SMEs/SMIs and stepping up funding for affordable housing in the Union.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

1. GENERAL PICTURE

In 2017, the total amount of loans granted by the Bank was XOF557.6 billion, including XOF477.9 billion in the form of medium and long-term loans and XOF 71.1 billion in short-term loans.

The breakdown of financing for the year per sector is as follows:

Table 1

BREAKDOWN OF APPROVALS[1] (long, med. and short term) **IN 2017**

	Approvals (XOF'M)	Number of operations	% Approvals
NON COMMERCIAL SECTOR (A)	173.7	26	31.2
COMMERCIAL SECTOR (B = I + II)	383.9	34	68.8
Public commercial (i)	162.8	12	29.2
private (ii)	221.1	22	39.6
TOTAL (A+B)	**557.6**	**60**	**100.0**

[2] Including equity investments

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Direct loans for the year, amounting to XOF420.4 billion, accounted for 75% of approvals. These loan facilities were used to finance the business cycle and new investment projects in priority areas such as transport and energy.

The amount of the refinancing lines stands at XOF128.6 billion, i.e. 23% of the year's financing.

These loans seek to increase the capacity to offer tailor-made products to SMEs and SMIs and to strengthen the financing of affordable housing in the Union.

Four equity investments, involving a total amount of XOF8.6 billion, were also undertaken. These include Air Côte d'Ivoire, Société Immobilière et d'Aménagement du Bénin, Banque Outarde in Senegal and Banque de l'Habitat du Niger.

The new loans granted bring the Bank's total net commitments to XOF4,914.8 billion as at 31 December 2017, for the implementation of 1,107 operations.

Financing for regional economic integration projects stood at XOF1527.7 billion for 333 operations, representing 31% of commitments at the end of December 2017.

With regard to financing arrangement, due diligence conducted for all fund-raising requests led to the effective mobilization of XOF129.9 billion. A new mandate, involving XOF16.3 billion, was signed in January 2017 to mobilize resources for the rehabilitation and renovation of an administrative building and rehabilitation of a section of the national road.

Support for financial advisory services is being provided to a Member country for studies relating to the cashew nut sector. The Bank is also providing services to another country for the granting of concession of the management of a hotel complex.

With regard to project preparation, financing of about XOF1.7 billion was devoted to feasibility studies, bringing the total for this category of loans to XOF30.6 billion at the end of December 2017.

As at 31 December, disbursements amounted to XOF309.6 billion as against XOF310 billion in 2016. At the end of 2017, cumulative disbursements stood at XOF3082.0 billion, corresponding to a cumulative disbursement rate of 62.7% (cumulative disbursements / cumulative commitments).

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

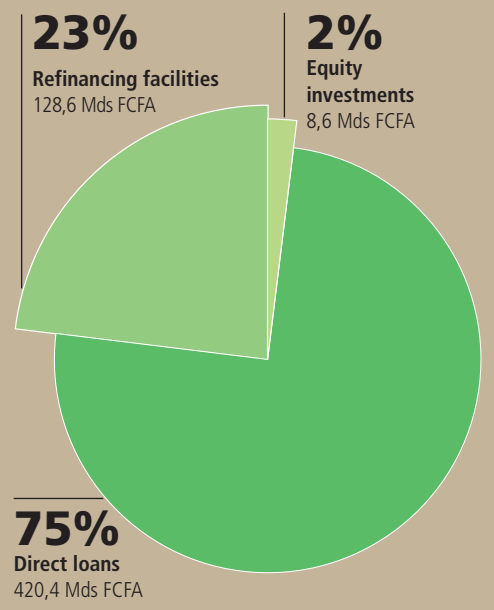
SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Graph 4

BREAKDOWN OF APPROVALS BY TYPE OF FINANCING IN 2017 (in billion XOF)



Graph 5

INCREASES IN BOAD'S NET CUMULATIVE COMMITMENTS (XOF'Billion)

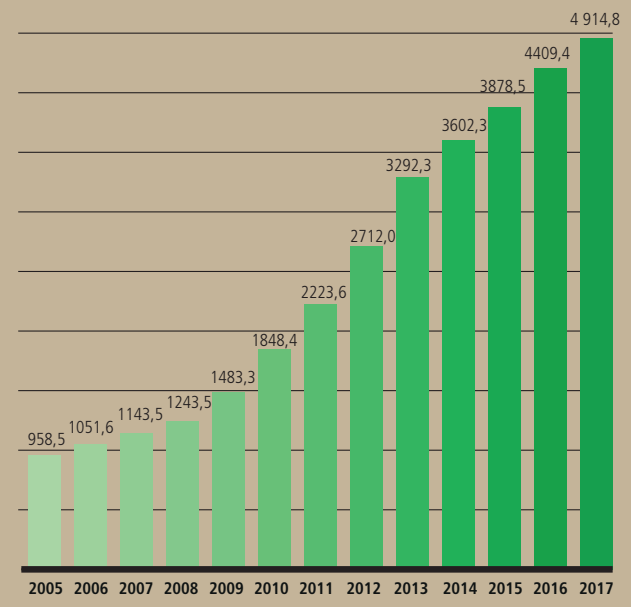


TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS

The bank's main achievements in 2017 can be summarised as follows in relation to the key areas of intervention under the Bank's 2015-2019 Strategic Plan.

2.1. ACCELERATING REGIONAL INTEGRATION THROUGH SUSTAINED INFRASTRUCTURE FINANCING

Integration activities include the financing of projects under regional programmes and the monitoring of regional activities in synergy with other Community institutions.

A. DEVELOPMENT AND INTERCONNECTION OF TRANSPORT INFRASTRUCTURE

In the area of transport infrastructure, in particular, loans amounting to XOF71.2 billion were granted to member countries for the development of regional transport projects in Benin, Côte d'Ivoire, Guinea Bissau and Togo.

- Road transport sub-sector: Loans granted, to the tune of XOF41.6 billion, will make it possible to develop and asphalt an overall distance of 76 km. This will promote greater regional integration, particularly by improving the flow of traffic on Community roads and by developing intra-regional trade..
- Airport sub-sector: The Bank contributed XOF29.6 billion to the rehabilitation of infrastructure and the upgrading of facilities at the Port of Bissau and San Pedro airport

B. STRENGTHENING THE POWER INFRASTRUCTURE

In the area of power infrastructure, a XOF9.5 billion loan was granted to strengthen Burkina Faso's national interconnected power grid. One of the objectives was to help secure power supply to large cities and surrounding areas in the country.

C. IMPLEMENTATION OF REGIONAL STRATEGIES AND PROGRAMMES

The regional programmes monitored include the Regional Economic Programme (PER II 2012-2016), the Regional Initiative for Sustainable Energy (IRED), Food Security Programme, ECOWAS Community Development Programme (CDP) and the Regional Indicative Programme (RIP) of the 11th EDF.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Under PER II, the Bank participated in the validation workshop of the final report of the mid-term review of the programme. The workshop was held from 31 July to 4 August 2017 in Abidjan, Côte d'Ivoire. The Bank's financing for PER II projects stood at XOF 241.8 billion, including XOF240.1 billion in the form of direct loans, for 19 projects, and XOF1.7 billion for four feasibility studies.

Under IRED, the Bank continued to manage the Energy Development Fund (FDE), as well as appraise and monitor energy projects financed from the Fund. Fifteen energy projects have been financed in the form of loans by the FDE since 2010, involving a total amount of XOF239.2 billion. The level of disbursements amounts to XOF117.2 billion, which corresponds to a disbursement rate of 49%. An amount of XOF5.7 billion was also granted to the WAEMU Commission to finance actions under the Regional Energy Saving Programme.
Under the food security programme, the Bank agreed with the WAEMU Commission on interest rate subsidies for six agricultural projects financed. The subsidy resources come from budget support obtained from the French government.

Under the ECOWAS CDP, BOAD participated in various meetings. Thus, from 14 to 18 March, at the EBID headquarters in Lomé (Togo), it facilitated a meeting on structuring of Public Private Partnerships (PPP) and the use of guarantee mechanisms to finance priority projects. The objective of the meeting was to create a framework for consultation between different stakeholders on the structuring of PPPs and guarantees for the various priority projects of the CDP.

Similarly, from 10 to 13 April, a meeting was held at the BOAD headquarters to establish comparative assessments with the ECOWAS Commission's CDP team on the implementation of pre-selected projects.
Finally, as member of the organizing committee of the roundtable on the financing of ECOWAS priority projects, the Bank took part in the first meeting of the committee, which was held from 27 to 29 November 2017 in Abidjan (Côte d'Ivoire). The objective of the meeting was to validate the activities still to be implemented, and to agree on strategies and means to be developed to ensure the success of the roundtable scheduled for the coming months, in Abidjan.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

INSET 1

Mid-term review of the Regional Economic Programme Phase II (PER II)

The bank participated in the validation workshop of the final report of the mid-term review of PER II, held from 31 July to 4 August 2017 in Abidjan (Côte d'Ivoire). The meeting was attended by members of the National Monitoring Units of the RSP (CNS-PER), sectoral experts from the Member countries, representatives of BCEAO, BOAD, the WAEMU Commission, as well as consultants. The workshop's activities included presentation sessions, plenary debates and group work, followed by recommendations.

Report summary

There is a low implementation rate of PER II projects (32.5%). This is due to several factors, including the uneven maturity of projects, cumbersome administrative procedures, low flexibility of budgetary procedures, deficits in the administrative and technical management of projects, as well as low mobilisation of financial resources. The average rate of financial achievement is also low, around 40%.

The monitoring-evaluation mechanism is considered relatively functional, with an overall score of 1.97 out of 3.00. New indicators have been proposed, according to 3 categories of results: ultimate results, intermediate results and indirect results.

In terms of analysis of the operational performance of PER II, based on the criteria related to relevance, consistency, effectiveness and efficiency, the programme recorded an overall performance considered "high", with a score of 2.39 out of 3.

The main recommendations of the Consultant include: (i) the establishment of an Emergency Plan, for the creation of conditions conducive to the short-term improvement of the Programme's performance; (ii) implementation of communication and resource mobilization strategies; (iii) strengthening of staff capacities in the management and monitoring of PER-type development projects; (iv) acceleration of the establishment of the multi-donor trust fund to support the financing of the PER; (v) launching of the process for the preparation of PER III.

Key observations from workshop participants

The recommendations include:
- Making the overall assessment of the Programme consistent with its physical and financial execution ;
- Taking into account of factors hindering the successful implementation of PER projects, in particular the low capacity of certain firms to execute contracts;
- Review of certain monitoring-evaluation indicators, as well as certain targets, with a view to improving the monitoring system;

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

INSET 1 (continued)

- Expand the mandate of the multi-donor trust fund currently being set up, with particular emphasis on the financing of regional projects;

- Low levels of financial mobilisation and disbursement rates.

Conclusion

The main difficulties linked to the implementation of PER II suggest, with a view to a third phase of the Programme, the need to strengthen the project identification process, on the basis of compliance with the maturity and priority criteria.

BOAD has an important role to play, especially in the financing of studies and investment projects under the PER

In this respect, it is necessary to set up specific support for the full implementation of the projects to be selected under the Programme. Similarly, particular emphasis should be placed on strengthening the monitoring of resource mobilization actions with the various countries, institutions and financial partners. Within this framework, BOAD has an important role to play, especially in the financing of studies and investment projects under the PER. In addition, in its capacity as Lead Donor for PER II, BOAD will strengthen promotion and resource mobilization actions to support projects under the Programme.

Finally, under the 11th EDF RIP, the Bank took part in the 4th meeting of the Strategic Orientation Committee (COS), held on 14 and 15 June 2017 in Brussels, Belgium. During the conference, the COS called for the reallocation, to the regional development banks (EBID and BOAD), of the remaining funds of the WAEMU Capacity Building Support Programme (PARCI), with a view to consolidating their project financing capacity. To this end, a diagnostic mission, which seeks to identify potential areas of support, and to develop terms of reference for EU technical assistance, is expected to take place at BOAD in April 2018.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

2.2 SUPPORT FOR INCLUSIVE GROWTH, FOOD SECURITY AND SUSTAINABLE DEVELOPMENT

During the year, the Bank continued and scaled up its efforts to create conditions for shared and sustainable economic growth. In this context, interventions focused particularly on the improvement of basic infrastructures, as well as on the consolidation of environmental governance.

A. DEVELOPMENT OF BASIC INFRASTRUCTURE

In the area of basic infrastructure, loans totalling XOF229.1 billion have been granted to develop hydro-agricultural schemes, urban roads and interurban roads, both urban and rural electrification, drinking water production, as well as the production of facilities in social sectors (social housing and education).

Under hydro-agricultural schemes, five projects worth XOF44.5 billion have been approved for Mali, Niger, Senegal and Togo. These projects involve the development and rehabilitation of approximately 10,780 ha of farmland, as well as an additional food production of approximately 162,226 tons.

The investments thus made will make it possible to strengthen food security in a sustainable manner and reduce poverty. They will contribute to (i) strengthening the resilience of agriculture to climate change through the popularization of modern irrigation techniques, (ii) a sustainable increase in rice production and other crops and livestock production, (iii) job creation and income distribution for rural households, and (iv) the creation of a new agricultural sector.

Four urban and inter-urban roads were financed, with an amount of XOF84.9 billion. They include: (i) the asphalting of the Buba-Catiò road phase 3 in Guinea Bissau, (ii) the development of the Bagaroua-Illéla road in Niger, (iii) periodic maintenance of the Kaffrine-Mbacké and Fatick-Foundiougne roads in Senegal, and (iv) the 2017-2019 Road Maintenance Programme in Burkina Faso.

Some 194.7 km of road will be constructed, helping to open up and facilitate economic and social exchanges at both national and sub-regional levels. In addition, 344 km of roads will undergo periodic maintenance. The various projects planned will promote the development and greater sustainability of the road network, particularly in Burkina Faso and Senegal and foster support economic growth.

Urban and rural electrification: Two projects were supported in Guinea Bissau, with a total amount of XOF39.7 billion. These include the electrification of 14 localities from the OMVG interconnected network transformer stations, as well as the construction of three photovoltaic solar power plants with a combined capacity of 22 MWp.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

The aim was to promote renewable energy and reduce the operating costs of isolated thermal systems by increasing the share of hydropower and solar photovoltaic technology in the country's energy mix.

The two operations should make it possible to i) supply power to 8,244,853 more people, ii) reduce greenhouse gas emissions by 862,709 tonnes and iii) create 16,789 direct or indirect jobs.

With regard to improving access to drinking water, loans amounting to XOF20 billion were granted for two projects to strengthen drinking water supply systems in Côte d'Ivoire and Mali. The overall objective is to ensure, in a sustainable manner, an adequate supply of drinking water to the populations of the cities of Abidjan and Bamako. Under the other social sectors (social housing and education), the Bank financed two projects of great utility for the countries concerned to the tune of XOF40 billion. These include the construction of 1,300 social housing units in the municipality of Abomey-Calavi in Benin, and the construction of 1,350 classrooms to replace temporary shelters in Senegal. The Benin project will help improve the living environment of 9,500 middle-income people, while the Senegal project will improve the quality and equity of education in the country.

B. SUSTAINABLE DEVELOPMENT

With regard to environmental governance and the development of financing for green growth projects, the Bank continued with the implementation of its 2015-2019 Environment and Climate strategy. Some 60 funded projects were systematically appraised in accordance with the environmental and social protection standards adopted. A dozen supervisory missions were carried out as part of the environmental and social management plans (PGES).

The Bank also undertook various due diligence processes to increase its portfolio of Climate projects likely to be submitted to the financial mechanisms of the United Nations Framework Convention on Climate Change (UNFCCC), namely the Adaptation Fund (AF), the Global Environment Facility (GEF) and the Green Climate Fund (GCF). The objective, in this regard, is to increase the mobilisation of climate resources to XOF50 billion per year by 2021.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

INSET 2

Regional Strategy Review Meeting on Inclusive Growth and National Development Plans (NDPs), held from 8 to 10 November in Ouagadougou

The Bank participated in the regional meeting held in Ouagadougou from 8 to 10 November to review inclusive growth strategies and national development plans.

The meeting was attended by representatives of WAEMU Member countries, WAEMU Bodies and Institutions (WAEMU Commissions, BCEAO, BOAD, and CREPMF) and ECOWAS (ECOWAS Commission, EBID) ; ECA and UNDP were also represented.

The meeting provided an opportunity to exchange views on financing for development and to share national and regional experiences on the issue. Specifically, the discussions focused on: i) the various development financing mechanisms used by the various countries, on the one hand, and regional development financing institutions, on the other, ii) innovative and/or alternative financing mechanisms, iii) the Community approach for the promotion of PPPs in the WAEMU, iv) ECA intervention strategies and vi) financing the ECOWAS Community Development Programme.

According to one of the main communications, the current WAEMU context is still marked by the adoption of ambitious national development plans, the implementation of which has generated a continuous increase in public expenditure, in an environment characterized by low resource mobilization, leading to a worsening of budget deficits and the acceleration of debt. It was thus noted the need to adopt effective policy measures aimed at mobilizing public and private savings and then directing them towards financing productive and impact-oriented investments.

At the end of the deliberations, the participants formulated the following recommendations for the Member countries, the WAEMU Commission, other sub-regional organizations, as well as the TFPs.

For the WAEMU member countries:

- Set up and strengthen research funds, in order to ensure the feasibility of PND/SRP projects to be submitted for financing;

- Strengthen the linkage of planning and financial programming of NDPs, in order to ensure effective implementation of projects over the period covered by the plan;

- Strengthen the linkage of planning and financial programming of NDPs, in order to ensure effective implementation of projects over the period covered by the plan;

- Strengthen coherence between budget allocations and national priorities defined in the NDP/PRSPs;

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

INSET 2 (continued)

- Strengthen regulatory frameworks and capacities for formulating and negotiating PPP contracts, particularly in the technical, fiscal and financial fields;

- Strengthen support for the national private sector, to enable it to benefit from PPPs;

- Widen the budgetary space, through the implementation of the fiscal transition;

- Safeguarding the interests of future generations in the implementation of alternative financing;

- Set up an exit or substitution mechanism for investor partners, through the financial market;

- Strengthening the absorption capacity of the resources mobilised.

For the WAEMU Commission and other bodies and institutions:

- Ensure regional synergy, to make the mobilisation of migrants' funds effective;

- Operationalize the mechanism of joint fund raising by several States, on the financial market, for the financing of regional projects;

- Strengthen support for local authorities in resource mobilization strategies in the sub-region;

- Strengthen collaboration with the United Nations system on inclusive growth issues, especially through the West Africa subregional coordination mechanism;

- Examine the possibility of subsidising loans granted by EBID in order to ensure the concessionality of financing granted for WAEMU countries' projects.

The first results were obtained in 2017, with the mobilization of climate resources in the form of grants, including:

- XOF1.3 billion from the Global Environment Facility (GEF) for the promotion of renewable energy in Togo;

- XOF4.9 billion from the Adaptation Fund (FA) for the promotion of climate-smart agriculture in Guinea Bissau.

Other actions were also undertaken during the year in the areas of the environment and climate finance. In this regard, the Bank participated in the following events or rounds of negotiations: i) the replenishment process of the 7th GEF, ii) the 23rd COP on Climate Change, held in Bonn, Germany, iii) the 13th COP on Desertification held in Ordos, China, iv) training workshops, with WAEMU and ECOWAS, on finance and climate negotiations, (v) the establishment of scientific collaboration platforms, with sister institutions such as

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

the United Nations Convention to Combat Desertification (UNCCD) and the United Nations Capital Development Fund (UNCDF), for the joint formulation and submission of climate projects.

Work is also under way with AFD to develop a project classification tool and to highlight climate aspects. The aim is to strengthen the "business" approach to "climate finance" for Member countries.

At the same time, the Regional Collaboration Centre (RCC), an entity created under the United Nations Framework Convention on Climate Change, provided support on issues promoted by the Bank. Such support included the mobilization of Climate Finance resources, promotion of mitigation mechanisms such as carbon projects, and operationalization of the South-South cooperation network on the Measurement, Reporting and Verification (MRV) system.

In the area of climate finance resource mobilization, two partnership agreements were signed in 2017, with Aera Group and Camco Energy respectively.

i) The agreement with Aera Group sought to add 10 million carbon credits to the Bank's portfolio of renewable energy projects. Three (3) projects are under active appraisal in this regard: the 50 MW hydropower generation project in Côte d'Ivoire, the rural electrification project of 62 localities in Togo and the 22 MW generation project in Guinea Bissau.

ii) The agreement signed with Camco Energy is aimed at mobilizing resources for the preparation of renewable energy projects.

In addition, collaboration has been established with partners such as KFW to provide "Energy Efficiency - Renewable Energy" credit line to BOAD. Such a facility would be used to finance mitigation projects, as well as the participation of WAEMU countries in the energy transition.

Similarly, as part of its role as regional catalyst for the implementation of the Paris Agreement, BOAD has partnered with the German Federal Ministry for Environment and Nature Protection to operationalize the West African Carbon Markets and Climate Finance Alliance between 2017 and 2019. The aim is to strengthen the capacities of WAEMU Member countries in international climate negotiations.

In promoting mitigation mechanisms, the RCC assisted in the approval of two Standard Reference Levels (NRNs) to facilitate the development of CDM projects in the energy sector. These include Togo's NRN, in the improved stoves sector, the power grid emission factor and the West African power pool.

Finally, the RCC, in collaboration with UNDP, is continuing to operationalize the South-South collaboration network on the ECOWAS Experts Measurement, Reporting and Verification (MRV) system, in which 14 countries are stakeholders.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

INSET 3

BOAD committed to climate-smart agriculture

Farming in West Africa is mainly rainfed. It is thus very sensitive to temperature variations and changes in rainfall. In recent decades, the rainy season has become shorter and more irregular, and extreme weather events (droughts or floods) have affected crops. Climate change is predicted to further reduce yields in the future, by up to 25% by 2050. In addition, agriculture and land-use change (deforestation and pesticide use linked to crop changes) now account for 25% of the world's greenhouse gas emissions.

Aware of this situation, the WAEMU member countries and their technical and financial partners, meeting in Bamako in June 2015, pledged to work towards a climate smart agriculture in West Africa. Climate smart agriculture aims to strengthen the capacity of agricultural systems to contribute to food security by integrating the need for adaptation and mitigation potential into sustainable agricultural development strategies.

In addition, the agriculture sector is included as a priority sector for climate change adaptation and mitigation in the Nationally Determined Contributions documents validated under the Paris Agreement.

Within the framework of its 2015-2019 Environment and Climate Strategy, BOAD supports the operationalization of these commitments

Within the framework of its 2015-2019 Environment and Climate Strategy, BOAD supports the operationalization of these commitments, through the mobilization of resources from financial mechanisms dedicated to the environment and climate, to which it is accredited.

To this end, the Bank supported the development of four projects promoting climate-smart agriculture through the Adaptation Fund. This was done in Niger, Guinea Bissau and Togo; the fourth project is regional and covers Benin, Burkina Faso, Ghana, Niger, and Togo.

Financing for Niger and Guinea Bissau projects has already been approved for US$9.911 million and US$9.979 million respectively. The Togo project and the regional project are pending approval for US$10 million and US$14 million respectively. All this financing will bring to US$43.9 million, or about XOF22 billion, the resources mobilized from the Adaptation Fund alone. Other climate-smart agriculture projects are being developed with other financial mechanisms, particularly the Green Climate Fund.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

2.3. SUPPORT FOR CORPORATES AND GOVERNMENTS, DEVELOPMENT OF FINANCIAL ENGINEERING AND SERVICES

A. PROMOTING PUBLIC-PRIVATE PARTNERSHIP (PPP)

In the area of promoting public-private partnership operations, the Regional PPP Unit at BOAD has undertaken the following main actions: i) participation in regional projects, ii) the official launch of a financial benchmarking model, iii) training sessions aimed at strengthening the capacities of actors involved in PPPs at country level, iv) appraisal and promotion of PPP projects.

In connection with the regional projects, this Unit actively participated, as a member, in the work of the PPP Working Group organized by the WAEMU Commission. It also participated in consultation meetings, as well as in workshops for the preparation and validation of draft PPP Strategies and Community Directives on PPPs.

The official launch of the financial benchmarking model, was held on Thursday, 7 September 2017 in Lome, at the BOAD headquarters. The event was attended by the eight Heads of National PPP Units, as well as representatives of the following institutions or agencies: the WAEMU Commission, French Development Agency (AFD), African Development Bank (AfDB), ECOWAS Bank for Investment and Development (EBID), and ECOWAS Infrastructure Project Preparation and Development Unit (PPDU). The modelling tool has been officially handed over to the countries, through the Heads of National PPP Units.

With regard to capacity building for actors involved in PPPs, sector experts working in the national PPP Units were trained in the practice of simulations and comparative analyses based on the financial benchmarking model. In Burkina Faso, for example, some 60 government officials were trained on PPPs and the use of the financial modelling tool from 26 to 29 September 2017.

These training sessions enabled the URDPPP to gather observations and proposals aimed at improving the targeted model.

With regards to the appraisal and promotion of PPP projects, seven (7) priority projects under the ECOWAS Community Development Programme (CDP) were presented for comparative analysis based on the URDPPP's financial model, at the request of the ECOWAS Project

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

INSET 4

A financial benchmarking model for PPPs, proposed by the Regional PPP Unit

The justification for using a PPP and its implementation require prior economic and financial analyses of the impact of the risks inherent in a project.

To this end, and in order to propose a methodological mechanism enabling the governments of BOAD's Member countries to be trained in good PPP practices, the Regional PPP Project Development Unit (URDPPP) has developed a decision support tool, in collaboration with an international firm. This tool enables any public entity to determine whether it is appropriate to carry out its project in under PPP or not.

The financial model of comparative evaluation makes it possible to calculate the global cost of a project according to whether it is carried out in Public Project Management (MOP) or in Public-Private Partnership (PPP). It consists of two modules: (i) a "Business Plan" module, which makes it possible to calculate the Net Present Values (NPV) of the contractual schemes, to be compared without taking risks into account and (ii) a "Risk Management" module, which values and integrates the cost of the risks inherent to the project, according to the sector concerned.

The "Business Plan" module requires little information, which can nevertheless generally be gathered from available socio-economic studies, particularly: (i) the project implementation schedule; (ii) the pretax costs of managing projects for the public entity ; (iii) the pretax cost of design and implementation ; (iv) any contributions from governments in terms of the pretax investment grants; (v) coordination costs of the public entity ; (vi) the VAT rate applicable to the project; (vii)financing conditions of the public entity; (viii) prefinancing conditions; (ix) refinancing conditions; (x) operating and maintenance costs; (xi) indexation coefficients; (xii) and user revenues, specifically for concessionary PPPs. This module generates the following outputs: (i) investment flows (tax incl) ; (ii) operation and maintenance flows (tax incl) ; (iii) flows associated with Large Maintenance and Renewals-GER (tax incl) and (iv) total flows (tax incl).

The "Risk Management" module provides for a large family of projects comprising several sectors, in particular: building construction, transport, urban development, information and communication systems, power generation, energy transmission, agro-industry development, as well as production and mining.

For each project category, around thirty inherent risks are foreseen, which can occur at all stages of the project (pre-contractual phase, design and implementation phase, operation and maintenance phase).

In order to determine the "risky NPV" of the project, probability laws have been determined that illustrate the behaviour of the different risks inherent in each category of projects, depending on the contractual option (MOP or PPP). In addition, the distribution of risk between the public and private sectors, as well as the probability of occurrence, are specified in the financial model.

Overall, using the Monte Carlo approach, the financial model makes it possible to determine the Value at Risk of the project, according to the chosen scheme (MOP or PPP).

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Coordination Unit. Based on the information currently available, the exercise made it possible to analyse the financial viability of four (4) projects for implementation as government projects or Public Private Partnerships (PPP), and to determine the minimum financial conditions for the profitability of these projects in PPP mode. The projects include: (i) the ECOWAS solar corridor, (ii) the Kaya-Dori-Niamey and Dori-Tambao-Ansongo railway sections, (iii) the Ouangolodougou-Bamako and San Pedro-Bamako railway sections, and (iv) the ECOWAS maritime link called SEALINK.

Also, in 2017, URDPPP organized three meetings of the Implementation and Monitoring Committee (CMOS)[2] of the large car park project located on both sides of the Togo / Benin border in Sanvee Condji and Hillacondji. The meeting provided a platform of sharing of ideas and results of financial analyses resulting from the resizing of the said project.

A workshop is scheduled to be held, during the 1st quarter of 2018, to validate the study of the Preliminary Draft Summary (APS) of the project under review. The event will be based on consideration of the various recommendations made during the last three CMOS meetings. At the end of the validation of the conclusions of the study, and under the supervision of the CMOS, the Consultant in charge of the exercise will draw up the detailed pre-project studies.

B. SUPPORT FOR THE DEVELOPMENT OF INDUSTRIES AND THE EMERGENCE OF REGIONAL-SCOPE BUSINESS

Six direct loans totalling XOF37.9 billion have been granted to support the development of industries and the emergence of regional-scope businesses. These include the construction and operation of three hotels in Benin, Côte d'Ivoire and Niger respectively, construction of a commercial and residential real estate complex in Senegal, and the consolidation of the equity capital of two banks in Côte d'Ivoire.

In terms of refinancing lines, seven operations, involving a total amount of XOF128.6 billion, were carried out; six of them involved financial institutions supported by BOAD with a view to increasing their capacity to offer tailor-made products to SMEs and SMIs. The seventh operation was targetted at CRRH-UEMOA, as part of the promotion of social housing in the WAEMU region.

Four operations involving a total amount of XOF8.6 billion were recorded under equity investments. These operations include: i) the creation of the Banque Outarde in Senegal, ii) strengthening of the equity capital of the Banque de l'habitat in Niger, iii)strengthening the capital of Air Côte d'Ivoire, as part of its development plan, and finally iv) the creation of a Société de Promotion Immobilière et d'Aménagement Urbain responsible for the execution of a construction programme for 20,000 social or affordable housing units initiated by the Government of Benin.

[2] The CMOS is made up of representatives of the Bank, representatives of the States and the concessionaire (DOM TRACO-MIDNIGHT SUN).

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Six short-term operations totalling XOF71.1 billion have been set up. These are:

- A XOF5.05 billion loan to Compagnie Malienne pour le Développement des Textiles (CMDT) to finance its operating needs, particularly the purchase of seed cotton, transport, ginning and marketing of cotton fibre. The objective of this operation was to help increase the company's production, for the 2016-2017 marketing year, by approximately 645,000 tonnes of seed cotton, corresponding to 271,000 tonnes of cotton fibre;

- A XOF6 billion loan to CIMAF Burkina Faso for the importation of raw materials (clinker, limestone and gypsum) for cement production. The operation was necessary to meet the demand of existing markets for the cement industry;

- A XOF20 billion facility for SENELEC, with a view to ensuring the adequate and regular supply of power;

- A XOF10 billion facility to CORIS Bank International, to refinance loans granted for the cotton season in Burkina Faso;

- The guarantee of a XOF25 billion facility, granted by Société Générale de Banques en Côte d'Ivoire to Compagnie Ivoirienne d'Electricité, for the payment of gas suppliers or independent power producers;

- A counter-guarantee of XOF5 billion under a facility granted by Société Générale de Banques en Côte d'Ivoire to Société des Energies de Côte d'Ivoire (CI-ENERGIES). The aim was to secure payment by CI-ENERGIES for energy purchases from AZITO ENERGIE SA.

In terms of financing arrangements, the Bank has continued to execute its fund-raising mandates for two projects: i) the AKUO KITA SOLAR project, for the construction of a 50 MWp photovoltaic power plant in Kita, Mali, and ii) the Ivoire Hydro Energie project, for the construction of a 44 MW hydropower plant in Singrobo - Ahouaty.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

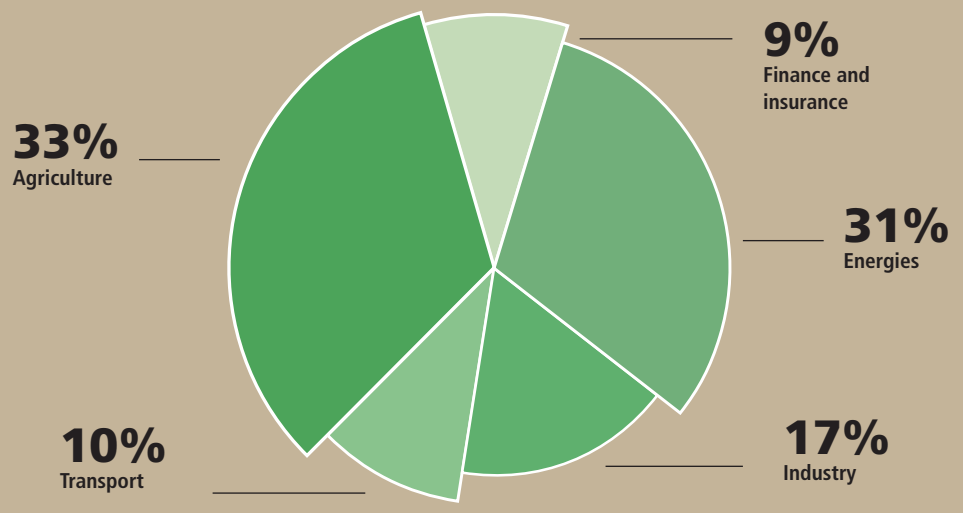
SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Diagram 6

BREAKDOWN OF SHORT-TERM FINANCING BY AREA AT 31 DECEMBER 2017 (%)



C. PROVIDING SERVICES AND OTHER PRODUCTS TO THE PUBLIC AND PRIVATE SECTORS

In addition to the above financing arrangement activities, other similar services have been provided to Member countries. This was based on a XOF16.3 billion financing arrangement with the Government of Senegal. The related contract was signed as part of the implementation of additional loans for the financing of two projects: one for the rehabilitation and renovation of the administrative building in Dakar, and the other for the rehabilitation of the Dialakoto-Mako section of National Road No. 7, Dialakoto-PK 20 section (55 km).

Thus, for all existing fund-raising mandates, the due diligence carried out enabled the mobilization of resources involving a cumulative amount of XOF129.9 billion.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

As part of its advisory services, BOAD signed a mandate in June 2016 with the Government of Guinea Bissau to support a diagnostic study of the cashew nut sector. The related report is currently being finalized. The Bank has also continued to provide advisory services to the Government of Niger for the concession of the management of the Gaweye Hotel. The main work carried out during the year involved the supervision of the work of the consortium selected for the studies, as well as the finalisation of the tender process. Discussions are continuing between the Niger side and the provisional contractor for the management of the hotel, in order to better specify the conditions for the takeover of the hotel, particularly with regard to the rehabilitation period and the assumption of responsibility for the social plan. A management contract will be signed with the targeted buyer once the discussions are concluded.

ISLAMIC FINANCE

The Bank has taken steps to soon operationalize the ''Islamic Finance'' (IF)window. The due diligence is mainly carried out under a consulting services contract signed since March 2016 with ICD, a member of the IDB Group. ICD supports BOAD, using a turnkey approach, in all implementation activities until the start of financing activities.

During the year, project work focused on the information system, accounting, legal and marketing components.

Discussions are ongoing with ICD, to conduct a roadshow aimed at raising funds. This will involve a closer identification of the potential resources that can be mobilized, as well as the opportunities for BOAD to collaborate as an implementing agency.

The Bank also had discussions with the Islamic Financial Services Board (IFSB), with a view to joining that institution from 2018. The IFSB is responsible for drawing up the standards to be observed by the supervisory bodies of the Islamic finance services industry, with a view to regulating it and guaranteeing its stability.

Other points

In order to provide timely support to public institutions or bodies, as well as to regional agencies, the Bank granted financial assistance involving a total amount of XOF187.5 million. The facilities granted supported various activities including: (i) updating and popularizing public procurement management tools or delegation of public services, (ii) organization of international conferences, (iii) development of job and skills sets for government agencies, (iv) formulation of economic and social development plans and organization of donor round tables, (v) external evaluation of networks of farmers' organizations and agricultural producers, etc.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

2.4. DEEPENING THE RESOURCE MOBILIZATION PROCESS

Key actions in the area of resource mobilization included: (i) continuing to mobilize credit facilities from various partners, (ii) a second fund-raising exercise on the international capital market, using the investment grade rating obtained in 2015 and confirmed in 2016 and 2017, (iii) mobilizing internal concessional resources to finance non-market public projects, (iv) strengthening cooperation, and (v) establishment of a new international credit facility for the financing of public projects.

A. AGREEMENTS SIGNED IN 2017

Four loan agreements were signed during the year. These include:

- A credit line obtained from the International Islamic Trade Finance Corporation (ITFC), of €27 million, for a period of one year. This facility is intended to finance short-term operations;

- 10 million credit facility obtained from BNP Paribas for a period of 14 years to refinance a loan granted by the Bank ;

- €80 million credit facility obtained from KfW for a period of 10 years for the refinancing of SMEs;

- €116 million credit facility from the World Bank for a period of 30 years, immediately on-lent to CRRH-UEMOA for the financing of social housing in the WAEMU region.

B. MOBILIZATION OF RESOURCES ON CAPITAL MARKET

The Bank successfully completed its second Eurobond on the international financial market. The operation raised US$850 million (XOF479.3 billion), over a 10-year maturity. It has generated strong demand from investors.

C. MOBILIZATION OF INTERNAL CONCESSIONAL RESOURCES

Since the Bank obtained from the Council of Ministers, in December 2015, the establishment of a subsidy mechanism for its concessional financing, this mechanism was increased by XOF27 billion over the financial year.

D. COOPERATION AND PROMOTION OF PARTNERSHIPS

In relation with the European Union, and in collaboration with the WAEMU and ECOWAS Commissions, BOAD has been integrated into the 10th EDF Regional Indicative Programme (RIP) mechanism. It could thus benefit from part of the remaining resources available under the Institutional Capacity Building Support Project(PARCI). As such, a memorandum on the Bank's capacity building needs was forwarded to the WAEMU Commission, manager of the PARCI-WAEMU.

Moreover, seizing the opportunity of the European Union's (EU) change of approach to the implementation of European Development Fund financing, the Bank is positioning itself to be eligible for indirect

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

INSET 5

BOAD's 2nd bond issue on the international financial market

In an attempt to diversify and secure its refinancing sources and reduce the cost of its borrowing, in a market context favourable to issuers from emerging countries, the Bank carried out a second bond issue on the international financial market.

Fitch and Moody's were tasked to rate the bond issue. The ratings issued were "investment grade" and in line with those awarde to BOAD by the two rating agencies in 2015, 2016 and 2017, being "BBB" with a stable outlook and "Baa1" with a stable outlook. A consortium of four banks was selected to assist the Bank in carrying out the operation. The bond issue was launched on 27 July 2017.

At the end of pricing, the transaction was oversubscribed three times. A arbitration was therefore proposed by the banking syndicate. Successful bids come from the United States, Europe including the United Kingdom, Asia, and the rest of the world.

The main features of the operation, compared to those of the inaugural issue, are as follows :

Features	2nd issue	1st issue
Amount	US$850 million	US$750million USD
Issue price	98.074%	98.927%
Yield	5.25%	5.75%
Interest rate	5.00%	5.50%
Duration	10 years	5 years
Depreciation	in fine	In fine
Maturity	Half yearly	Half yearly
Stock exchange	Luxembourg	Luxembourg

The loan maturity allows BOAD to position itself as one of the few development banks in sub-Saharan Africa to have issued an international loan with a maturity of 10 years.

To protect itself against foreign exchange risk, the Bank set up a currency swap as soon as the eurobond was realized. The resources collected strengthen the institution's capacity to act in the service of WAEMU.

management of EU financing. In this regard, it has taken steps to comply with the ad hoc evaluation process known as the "audit of the 7 pillars". When the time comes, in 2018, this evaluation will be carried out by one of the firms approved by the EU in this area.

BOAD has also made requests to: (i) BADEA to mobilize resources to participate in the financing of the existing subsidy facility within the Bank; and (ii) the OPEC Fund to set up a credit line for the refinancing of short-term operations.

Finally, in July, the Bank signed a framework cooperation agreement with the Sahara and Sahel Observatory and the West African Science Service Centre on Climate Change and Adapted Land Use (WASCAL).

The subsidy mechanism was increased by XOF27 billion over the financial year.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

2.5. ALIGNMENT OF MANAGEMENT AND GOVERNANCE

A. LEGAL CERTAINTY OF OPERATIONS

In order to ensure legal certainty of operations, actions have focused particular attention on the adoption of rules, policy regulations or procedures in the various sectors in which the institution operates, aligning them with those of international financial reference institutions. Similarly, in connection with the regulations in force in the WAEMU region, the Bank updated its anti-money laundering and anti-terrorist financing measures.

B. MARKETING AND COMMUNICATION ACTION

In terms of communication, several actions have been initiated to strengthen the institution's visibility. These include: (i) the creation of a new, redesigned and more secure website, (ii) the publication of thematic articles in the international press, (iii) television reports on projects financed in the infrastructure (transport and energy), industry and agri-food sectors, (iv) the organization of Open Days and Information on the Bank's activities.

Digital communication has been developed, with the opening of official social network accounts (Facebook, Twitter, Youtube), which makes it possible to increase the external dissemination of information.

To better align communication with the 2015-2019 Strategic Plan, and to meet the requirements arising from the institution's presence on the international scene, reflections have been initiated with a view to updating the communication and public relations strategy.

In the area of marketing, the Bank has continued to promote its products and services through participation in trade fairs, forums and other thematic meetings. In this regard, advertising campaigns have been initiated using high-visibility communication media. In addition, the marketing strategy has been updated with a view to improving the sales approach and customer relations.

C. HUMAN RESOURCES

The Bank continued the actions undertaken as part of the modernisation of its human resources management policy. Thus, it has strengthened the implementation of its system for setting objectives and evaluating staff performance, as well as targeted individual and collective training actions, which aim to strengthen capacities.

After falling more or less significantly in 2015 and 2016, mainly as a result of retirements, the Bank's workforce increased again in 2017.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Tableau 2

OPERATION STAFF OF BOAD FROM 2015 TO 2017

Category	Staff strength as at 31.12.2015	Staf strength as at 31.12.2016	Staf strength as at 31.12.2017
PROFESSIONAL STAFF	153	153	164
SUPPORT STAFF	127	119	112
TOTAL	280	272	276

Thus, as at 31 December 2017, the total number of staff stood at 288, including 276 operational staff, 9 on secondment and 3 on leave of absence.

D. ASSET MANAGEMENT, SECURITY OF PERSONS AND PROPERTY

Actions carried out at this level include the upkeep and maintenance of technical installations and Headquarters buildings. The Bank also continued to take steps to set up a backup site in Cotonou, which could ensure the continuity of activities in the event of prolonged unavailability of its headquarters in Lomé.

Particular attention was paid to rationalizing operating expenses. In this regard, the Bank has begun implementing its energy efficiency program, designed with the support of the Institut de la Francophonie pour le développement durable.

In terms of security, the Bank has endeavoured to strengthen its general security arrangements. In particular, the following actions have been implemented: (i) bringing headquarters up to fire safety standards, (ii) strengthening the physical security of headquarters, (iii) continuing to operationalize the Business Continuity Plan (BCP), (iv) establishing technical cooperation and a framework for exchanging security information with sub-regional institutions.

E. OPERATIONS MONITORING AND KNOWLEDGE MANAGEMENT

In terms of ex-post evaluation of projects, over the year 2017, the Bank started a country portfolio evaluation process with Togo, with nineteen (19) operations selected in collaboration with the Togolese authorities for this first experiment. The projects involved are divided into four (4) intervention sectors: (i) rural development, (ii) energy, (iii) road infrastructure and (iv) drinking water supply.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

The overall objective of the country portfolio evaluation is to assess the development results achieved by the Bank through the projects it finances. The specific objectives are as follows: (i) to analyse the performance of the projects financed in each of the sectors concerned; (ii) to identify the factors that affected the performance of the projects; and (iii) to make recommendations on the various interventions. This evaluation, which is participatory, is carried out within the framework of accountability and especially learning, by shedding light on facts and enabling lessons to be learned about the Bank's project portfolio. In the case of Togo, the evaluation covers the period from 2000 to 2015.

Regarding socio-economic and thematic impact assessments, two major actions were carried out. In relation to the thematic evaluation on "Sustainability of Road Projects Funded by BOAD between 2000 and 2012", an internal capitalization exercise was conducted and external dissemination of the report is ongoing. The socio-economic impact assessments covered the M'Bahiakro hydro-agricultural development project in Côte d'Ivoire, and Phase 2 of the Matam Agricultural Development Project extension in Senegal. Both projects are part of the Special Programme for Food Security.

With regard to the monitoring-evaluation of development results, planning activities for the monitoring-evaluation of these development results were carried out, in order to identify the indicators to be monitored, after from project appraisal.

In knowledge management, and in application of the knowledge management strategy adopted, the Bank continued to develop its information monitoring, visibility and image tools. It has, in this regard, maintained the monitoring of relevant sources of information and the collection of useful knowledge relating to the centres of interest of the structures.

In addition, the digitization and electronic archiving of key documents such as original loan agreements and staff administrative files were continued.

F. GOVERNANCE, SYSTEM OF CONTRÔL AND RISK MANAGEMENT

During the period, the Bank made efforts to strengthen its governance and continuously update its management tools.

Internal Audit and Financial Control: In accordance with the programme approved by the Audit Committee, audits were carried out on internal processes and ongoing projects in the eight (8) Member countries. The recommendations made it possible to strengthen the internal control system, control risks and improve the project implementation process.

All transactions for the acquisition of goods and services and the disbursement of funds were subject to compliance and regularity checks.

Internal audit tools have also been regularly updated in the light of changes in international auditing standards.

[4] Se rattache à un ensemble de projets/programmes d'un ou plusieurs secteurs d'intervention au sein d'une même zone géographique.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Bank Audit Committee: the Audit Committee held three meetings during which it examined: i) the financial statements for the financial year ended 31 December 2016, together with the report of the Statutory Auditor, ii) the interim financial statements as at 30 June and 30 September 2017, iii) the portfolio situation as at 30 September 2017, iv) the Internal Audit Quality Assurance and Improvement Programme, which it has approved, v) the terms of reference for the recruitment of an External Auditor for the 2019-2021 financial years, vi) the balance sheet of the 2017 activities and the draft programme of internal audit activities for the 2018 financial year that it approved, vii) as well as a note relating to the impact of the entry into force on 1 January 2018 of IFRS 9.

External audit: PRICEWATERHOUSECOOPERS (PWC), External Auditor, has examined and certified without reservation the accounts of the Bank, the FDC and FDE for financial year 2016. These accounts have been approved by the Council of Ministers. The Statutory Auditor also carried out a limited review of the interim financial statements at 30 June 2017, in accordance with IAS 34 of the IFRS accounting framework.

Ethics, prevention and fight against fraud and corruption: The Bank continued to consolidate the arrangements put in place and to hold awareness sessions on its policy to combat fraud and corruption in the Member countries. Under the Staff Code of Ethics, three compliance cases were examined during the period.

Contract monitoring: Contract monitoring continued. It involved both contracts financed as part of the Bank's operations and internal procurements. Training sessions were also held on the Bank's procurement procedures for actors in the public procurement chain in three Member countries (Benin, Burkina Faso and Senegal.

Results-based and performance-based management: The main pillars of the Bank's results-based and performance-based management system, namely the programme budget approach, performance evaluation, the network of management charts and cost accounting, were consolidated during the year.

The Bank's overall performance was monitored, in particular through the production and communication of quarterly analysis notes on key performance indicators (KPIs). Close assistance from the budget centres at all phases of budget management has enabled the programme budget approach to be gradually controlled. As in previous years, the "programme budget" approach adopted in 2010 inspired the annual budget orientation framework. Based on results-based and performance-based management, this approach has led to greater budgetary efficiency and accountability in the budget centres.

The Bank also continued to implement the operating cost rationalization policy adopted in 2014.

The bank continued to manage its credit, market and operational risks.

In order to improve current practices, a study was launched in 2016 with the support of a specialized firm.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

The selected firm submitted its final diagnostic report in 2017. It noted, among other things, the need to: (i) overhaul existing internal portfolio rating models, (ii) develop new models for both project finance and equity investments, (iii) set up various defensive lines (operational, control and audit) at the asset-liability management (ALM) level, as well as a dynamic simulation system.

In addition, the indexation of loans, authorized since October 2003 by the Board of Directors, has entered its operational phase. In the event of non-hedging, the mechanism allows for the transfer, to certain categories of borrowers, of the exchange rate risk inherent in resources mobilised in currencies other than the euro.

Similarly, with the increasing complexity of its balance sheet structure, and following the example of major reference banks, BOAD has launched a separate project aimed at setting up an ad hoc financial steering mechanism. Expected developments in this other project include improved monitoring of balance sheet and off-balance sheet risks, and improved reporting associated with financial management control. The implementation of the financial steering project comprises two phases: a diagnostic study phase and an implementation phase. After final receipt of the report relating to the study phase, due diligence was undertaken for the implementation phase of the system. Initial estimates of the timeframe required to complete this second phase suggest an average duration of two years.

G. MODERNISATION OF THE INFORMATION SYSTEM

During the year, the Bank continued the modernisation of its information system, particularly with the finalisation and effective operation of the internal communication network between Headquarters and resident missions (MRs) by VSAT. The resident missions are now integrated into the corporate network, which facilitates their access to and use of IT resources at Headquarters (messaging, autocom, etc.).

As part of the implementation of its SAP integrated software package, the main actions focused in particular on the following points: i) the overhaul of Banking Operations Management and its takeover in a more modern and secure technological environment, ii) the maintenance and support of the MM (Material Management or Inventory and Purchasing Management), HR (Human Resources) and FICO (Financial Accounting and Controlling) modules of SAP, iii) the implementation of server virtualization.
The Bank also continued to take steps to maintain its ISO 27001 (2013 version) certification. In this regard, it initiated the implementation of the action plan based on the audits conducted in 2016 by the AFNOR certification body and in 2017 by ATHENA.

Work is also under way to develop an IT tool for managing loan indexation.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

H. FINANCIAL MANAGEMENT

Revamping the pricing system: In accordance with a decision of the Board of Directors taken during the December 2016 session, the Bank's new pricing model entered into force in early January 2017. In 2013, with technical assistance from AFD, the Bank launched a project to overhaul its pricing model. The objectives were to align with the standards of major international financial institutions, on the one hand, and greater flexibility in the pricing of operations, with a better competitiveness of the Bank's tariff offer, on the other.

Financial position: The Bank's balance sheet total rose from XOF2,263.3 billion as at 31 December 2016 to XOF2,653.2 billion at 31 December 2017 (+17.2%)

Graphic 7

INCREASES IN EQUITY, DEBT (XOF BILLIONS) AND DEBT RATIO

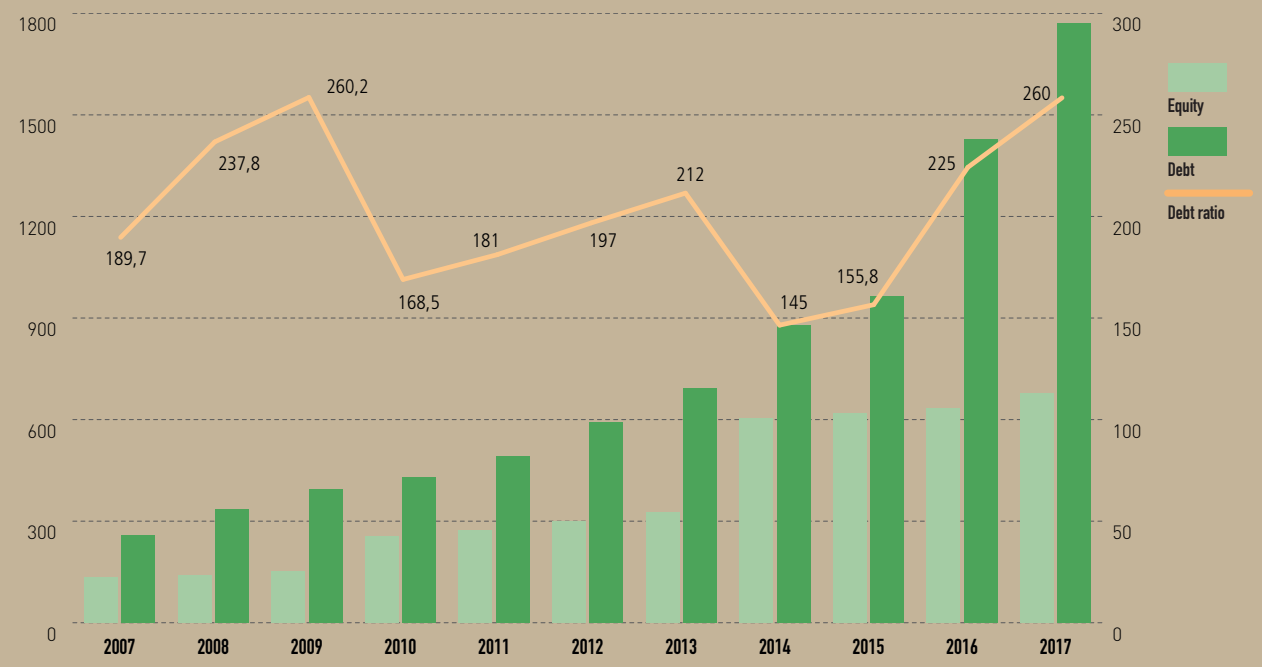


TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

The Bank's financial situation remains sound and is marked by a balanced financial structure. At the end of December 2017, shareholders' equity represented approximately 25.5% of the balance sheet total and the ratio "outstanding borrowings / shareholders' equity" (debt ratio) stood at approximately 261.89%, for a statutory standard of 300%.

The operation has the following key features:

- a dominance of loan income, which constitutes the bank's main activity (77% of budget income);

- a generally controlled cost of borrowing (5.04% on average, market resources and concessional resources combined);

- a net banking income which stood at XOF37.4 billion as at 31 December 2017 as against XOF34.1 billion as at 31 December 2016;

- prudent cash management, in accordance with liquidity policy;

- the continuation of a prudent provisioning policy, due to the situation of certain commercial projects.

The overall gross deterioration rate of the portfolio was 2.35% at the end of December 2017, compared with 2.26% at the end of 2016. The Bank intends to continue monitoring and improving its portfolio quality.

Operations continue to record positive results, despite the loss of margins for several years, due to the lack of sustainable concessional resources. Net profit at the end of 2017 stood at XOF13.2 billion as against XOF 10.5 billion at 31 December 2016. The result thus obtained is a reinforcement of the bank's equity.

The Bank will continue to ensure that its expenditure is kept under control in order to maintain an attractive lending rate in line with development financing requirements.

The capital adequacy ratio stands at 22.64% (against an international standard of at least 8%). The Bank's capital remains in line with the risks borne by the Bank. Moreover, a study on strengthening the institution's intervention resources, based on a consolidation of its capital adequacy, is under way. This study is expected to lead to practical recommendations that will enable the Bank to further consolidate its creditworthiness and credit quality.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

INSET 6

MID-TERM REVIEW OF THE IMPLEMENTATION OF THE 2015-2019 STRATEGIC PLAN

The Bank's second strategic plan, adopted at the end of 2014, covers a five-year period from 2015-2019. It is in line with BOAD's vision of becoming "a strong development bank, for economic integration and transformation in West Africa".

The Plan is structured around four strategic axes: (i) acceleration of regional integration through sustained financing of infrastructure; (ii) support for inclusive growth, food security and sustainable development; (iii) support for enterprises and governments, development of financial engineering and services; (iv) deepening of the resource mobilization process.

These four essentially operational areas, have a supported area, which involves the "phasing of management and governance".

At the end of 2017, i.e. midway through the five-year period covered, the Plan's implementation record was generally satisfactory. The implementation rate of the financial objectives was 63% compared to the five-year target relating to the financing of both public and private projects. The achievements recorded also correspond to 115% of the objectives for the three-year period under the plan (2015-2017).

The inherent performance will contribute to the creation of conditions for sustained, sustainable and inclusive growth in the Member countries

The inherent performance will contribute to the creation of conditions for sustained, sustainable and inclusive growth in the Member countries. Some more significant results are as follows:

- **an affirmation of BOAD's role as the "financial arm of the Union"**: this is achieved by strengthening the institution's support for the development efforts of its member countries, with nearly XOF1,357 billion in new financing granted over the period;

- **continued support for regional integration, with 25% of global MLT support**, corresponding to cumulative financing of XOF289 billion for regional projects;

- **a more marked intervention in the financing of inclusive and sustainable growth**, with cumulative financing amounting to XOF475 billion, i.e. 35% of the cumulative assistance, with a view to developing hydro-agricultural developments, transport infrastructures, both urban and rural electrification, drinking water production, social housing and education;

- **Encouraging participation in environmental governance and development of green growth project** financing, with the Bank's accreditation to three Global Funds (AF, GEF, GCF) and the ongoing implementation of the "2015-2019 Environment and Climate Strategy";

- **a significant intervention in the structuring of financing operations**, with XOF825 billion of resources mobilized on behalf of the mandates received;

A suivre page 48

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017
1. GENERAL PICTURE
2. ACHIEVEMENTS ACCORDING TO STRATEGIC AREAS
2.1. Accelerating regional Integration through sustained infrastructure financings
2.2. Support for inclusive growth, food security and sustainable development
2.3. Support for corporates and states, development of financial engineering and services
2.4. Support for corporates and states, development of financial engineering and services
2.5. Alignment of management and governance

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

INSET 6 (continued)

- **more efficient resource mobilisation**, with debt capacity reinforcement measures on the one hand, and investment grade quality ratings on the other hand;

- **a revision of the concessional window's economic model**, which is now based on the mobilization of market resources, which are then enhanced through a subsidy mechanism put in place;

- **the Bank's financial situation, which remains strong**, particularly as a result of the improvement in net banking income, rigorous risk monitoring and rationalisation measures, as well as the control of overheads. Profit increased steadily to XOF13.2 billion at the end of 2017, compared with 10.5 billion at the end of 2016, 8.8 billion at the end of 2015 and 8.4 billion at the end of 2014. Similarly, the quality of the Bank's portfolio has rather consolidated over time, thanks to debt collection efforts. The overall gross deterioration rate of the portfolio was 2.35% at the end of December 2017, compared with 2.26% at the end of 2016.

However, more efforts are needed to strengthen the leverage effect of the bank's financing, develop financial advisory activities, promote PPP projects and pursue due diligence aimed at setting up a dedicated Islamic Finance window.

During the period, internal reforms have strengthened management and governance, bringing them more in line with international standards.

In conclusion, the continued implementation of the 2015-2019 strategic plan will make it possible to consolidate interventions for the emergence of economies in the region. It will seek to improve the points of vulnerability identified, with a view to achieving the overall objectives of the Strategic Plan, under the best possible conditions.

STRATÉGIC AREA1

Accelerating regional integration through sustained infrastructure financing

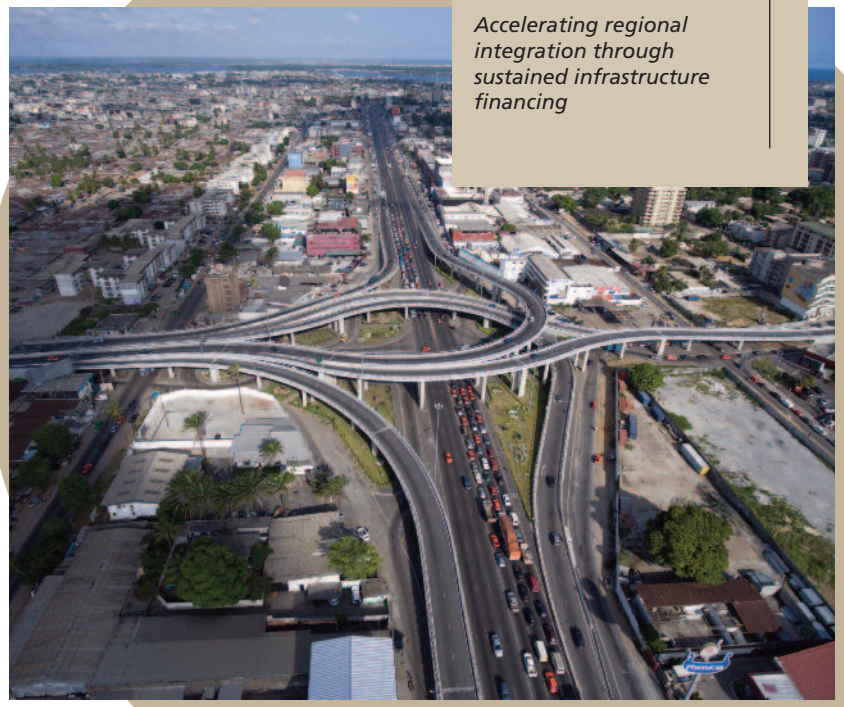


TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

1. **MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU**
   - 1.1. Characteristics of the housing supply
   - 1.2. The housing loan market
   - 1.3. Main constraints affecting housing supply and demand
   - 1.4. Proposed options for affordable housing financing
2. **THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT**
   - 2.1. Project components
3. **THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT**
4. **CONCLUSION**

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Thème for the year

BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

With a population of 110 million inhabitants, the WAEMU region has one of the most dynamic population growth in the world, as well as a rapid urbanization rate posing major challenges in meeting the population's basic needs in the area of social housing.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

The rate of urbanization in Africa has increased in recent years. This phenomenon is encouraged both by population growth and the development of new lifestyles and consumption patterns. About 40% of Africans currently live in cities and this rate could well reach 60% by 2050.

This underlying trend worsens housing challenges, resulting in the formation of slums, with precarious housing and living conditions. The situation shows that the urbanization of the continent is not matched by sufficient investment in infrastructure and other industrial or commercial facilities, nor by an adequate supply of affordable housing.

The problem of housing is also at the heart of the global development agenda. It is taken into account in the sustainable development goals (SDGs), through SDG 11, which aims to "ensure that cities and human settlements are inclusive, safe, resilient and sustainable". This includes ensuring universal access to adequate, affordable and safe housing and basic services by 2030 and slum upgrading.

Most people in the WAEMU region live on less than $1.90 a day and are faced with the same difficulties and realities at the continental level. Access to affordable and decent housing remains a real challenge that must be addressed.

BOAD, the financial arm of the sub-region, is concerned by these constraints and difficulties of access to housing for the populations. It should be noted, however, that due to resource constraints, and in an attempt to focus efforts on financing productive sectors, the Bank's "Policy Statement", until 2009, excluded the real estate sector from its direct areas of intervention. Changes have been made since then and BOAD's operations have been both in the form of equity investments in housing banks or social housing promotion companies, as well as loans aimed at financing national social housing projects.

After several years of studies and discussions at regional level, together with the BCEAO, the Regional Council for Investments and Capital Markets (CREPMF) and the WAEMU Commission, community regulations on the promotion of a mortgage market and securitization were submitted to the statutory Council of Ministers, which approved them in March 2010. These other steps, supported by BOAD, facilitated the creation, in July 2010, of the WAEMU Regional Mortgage Refinancing Fund (CRRH-UEMOA). This is a private and cooperative entity that BOAD has promoted, and whose mission is to offer credit institutions that become its shareholders long-term resources for the refinancing of mortgage loans granted to clients.

It is in the same vein that in December 2014, BOAD and CRRH-UEMOA submitted a proposal to the Council of Ministers, which approved it, to source funding from the World Bank to establish a credit facility to support the financing of social housing. The corresponding request was addressed by the President of the Council who, on that occasion, stressed the need for member countries of the Union to promote social housing. Before deciding on the admissibility of this request, the World Bank deemed it necessary to carry out a preliminary study on the current state of housing finance in the Union.

The World Bank/WAEMU "affordable" housing finance project, whose contractual documents were signed in Washington on 13 October 2017, draws much of its practical justification from the findings of the above study. This study was conducted under the supervision of a Regional Steering Committee made up of representatives from BOAD, BCEAO and the WAEMU Commission.

The findings of the study were discussed at a regional validation workshop held on 28 February 2017 at the BOAD headquarters in Lomé, Togo.

This thematic part of the BOAD annual report is on three points: i) the findings of the study on the housing situation in the WAEMU region, ii) the target and components of the "affordable housing financing" project, iii) the respective roles of BOAD, CRRH-UEMOA and the WAEMU Commission, in the financing and ongoing implementation of the project.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION
1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU

The WAEMU region currently has about 110 million inhabitants; and is one of the fastest growing regions in the world. The pace of urbanization is also growing, posing major challenges to meeting the basic needs of the population, particularly in the area of social housing[3].

1.1. CHARACTERISTICS OF THE HOUSING SUPPLY

Housing supply is difficult to quantify. Indeed, about 80% of land and property comes from the informal sector and self-construction. However, the WAEMU has an estimated deficit of about 3.5 million homes per year.

Since the 1990s, a number of ambitious[4] construction projects have been undertaken, ranging from government project to public-private partnerships. The construction targets, on average over three years, range from 540 (in Togo) to 150,000 social housing units (in Côte d'Ivoire or Senegal). The minimum price excluding taxes of a house on the market varies between 7 million (in Niger) and 11 million (in Togo).

Real estate projects, although aimed at providing wider access of the population to social housing, are experiencing delays in their implementation, and are mainly intended for workers in the formal sector (government workers or employees of large companies).

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

1.2. THE HOUSING LOAN MARKET

Progress has been made in improving the housing loan market. Housing loans reached a total amount of XOF203.7 billion in 2013, against an average of XOF80 billion per year over the 2005-2011 period.

CRRH-UEMOA contributes to this momentum by granting long-term loans to real estate lenders in the subregion since the beginning of its operational activities (July 2012). The development of home loans has also been boosted by the drop in lending rates (from 9.78% in 2005 to 7.44% in 2015, on regional average), as well as by the easing of constraints limiting the distribution of long-term loans by banks (reduction in the medium and long-term employment coverage ratio by stable resources, from 75% to 50%). However, several decentralized financial systems (DFS) involved in housing financing face regulatory constraints (notably the transformation ratio).

The housing finance market in WAEMU remains largely underdeveloped. The share of home loans in total new bank loans remains low (less than 2% over the period 2005-2012 and 2.21% in 2013); loan repayments are not very long (the average being 7 years in WAEMU). Moreover, despite the decline in interest rates recognized above, rates are still high in real terms.

The local market is dominated by housing banks. The Banque de l'Habitat du Sénégal is the most active in terms of mortgage loans granted; accounting for 50% of approved loans in 2014. Commercial banks also offer housing products, and some have expressed their willingness to play a greater role in the sector.

Although Senegal has the most developed housing loan market in the WAEMU region, it remains well below the majority of other countries in Africa; mortgage loans represent only 0.07% of GDP compared to 22.15% in Cape Verde, for example.

The effective application of the Uniform Act on the organization of simplified procedures for recovery and enforcement comes up against numerous obstacles relative to the operation of judicial systems and the introduction of extra-judicial enforcement procedures. Indeed, the implementation of mortgage securities remains hampered by the long delays inherent in the operation of the courts, debtors resorting to long appeals, and by the low liquidity of the market for forfeited pledges. To this must be added the difficulties created by the rule of immunity from execution in favor of the State and public persons, the lack of staff dedicated to the recovery services, the lack of control over procedures, as well as corruption.

Microfinance sector

A small number of microfinance institutions offer housing finance products to their clients. Despite their often substantial savings resources, these institutions must

[3] Social housing is housing intended, as a result of a public or private initiative, for people with modest incomes who would otherwise have difficulty finding housing on the private market. From a complementary perspective, social housing is defined by the price of the housing unit, which varies from XOF7.5 million in Niger to more than XOF20 million in Togo.

[4] Senegal and Côte d'Ivoire have implemented the most ambitious programmes, each with a plan to construct 150,000 housing units.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION
1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

comply with very strict prudential rules, which make it difficult to grant long-term housing loans. This is mainly the transformation ratio, which in their case is 100%.

However, some microfinance networks have embarked on the path of housing finance, beyond micro-credits for low-income households. This is the case in Burkina Faso, where the Caisses Populaires du Burkina (RCPB) network, a market leader with a loan portfolio of $128.44 million in 2015, has been setting up a mortgage loan since 2008, with the help of the organization "Développement International Desjardins". PAMECAS in Senegal offers a similar product. In Côte d'Ivoire, the UNACCOPEC network has been providing housing loans for several years and 8,000 of its 42,000 borrowers have mortgage-related loans, in spite of the difficulties it has faced for several years.

Loan terms vary by country and microfinance institution. It is low for the UNACCOPEC network: 3 years on average and up to 5 years in some cases. In Mali, the Nyesigiso network offers mortgage loans in partnership with the FGHM[6], for a maximum unit amount of XOF20 million and a term of 15 years.

Accessibility to housing

The vast majority of households in the Union do not have access to the housing loan market. Statistics indicate that less than 3% of adults in the community area had outstanding loans used to finance the purchase of housing. Only 1.2 million households (out of 18 million in UEMOA) can acquire a house whose minimum price on the formal market would vary from XOF7 to XOF11 million. There is therefore a large proportion of the population whose demand for housing is not met, particularly those in the informal economy. Extending access to housing credit is a major challenge.

New trends and possible innovations

Innovations or reforms are underway in some countries. These include the digitalization of the land register (Côte d'Ivoire) and the strengthening or restructuring of housing banks (Burkina Faso and Côte d'Ivoire). Some countries have set up guarantee funds for the acquisition of housing, as well as housing cooperatives (Senegal). These affordable housing financing schemes could be extended to other countries in the subregion. The model could also be enriched by the experience of Kenya's National Cooperative Housing Union (NACHU). This experience can also be a source of inspiration as to the possible roles of housing cooperatives in financing and deepening the market.

Finally, the recent creation of the Credit Bureau (BIC), as well as the adoption of a single fiscal identification system (IFU), are important developments at the regional level, and will strengthen the capacities of the banking system and progressively expand access to housing loans.

[5] Partnership for the Mobilization of Savings and Loans In Senegal. [6] Mortgage Guarantee Fund of Mali.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

1.3. MAIN CONSTRAINTS AFFECTING HOUSING SUPPLY AND DEMAND

Constraints include fast rate of urbanization, high cost of building materials, difficulty in obtaining serviced land, financing difficulties faced by developers, high level of informality, land insecurity, regulatory constraints, and lack of long-term resources.

With regard to the high level of informality in the economy, the study notes that over 76% of jobs in WAEMU capitals are provided by the informal sector. Workers in this sector who wish to borrow and become homeowners are denied access to credit because they do not have the documentation required to take out a loan with a bank (employment contract, pay slip, bank domiciliation, mortgage). Informal income often goes hand in hand with informal ownership, making it impossible for banks to take collateral. This demand could be met by the microfinance sector, which knows how to measure the incomes of informal workers and the risks associated with them.

With regard to the problem of land in access to credit, it appears that customary rights remain predominant and are a major obstacle to an orderly process of urban expansion, which involves the conversion of farmland, the acquisition of land reserves or a right of way to facilitate development operations, consolidation of plots of land, etc.

The coverage of territories by land conservation and land registration systems remains partial and limited by persistent customary rights, as well as by the tendency to avoid registration, particularly because of their cost (registration fees and other parafiscal charges required). The precarious and personal nature of land titles makes them unsuitable for mortgage. Finally, one of the main causes of legal uncertainty is the operational shortcomings of land conservation systems, often made vulnerable by a lack of funding. Reforms are under way to simplify land title registration and facilitate the formalization of customary rights.

Land is at the crossroads of multiple issues. Urban land, under strong pressure, has seen prices increase rapidly in recent years. However, it is rural property and family farm lands that are at the heart of current debates and land reforms in WAEMU countries.

Access to land is constrained by the complex nature of land tenure systems, the high costs and length of registration procedures, and the difficulty of regularizing urban property ownership. However, this land insecurity represents a real obstacle to access to credit for low-income households. Indeed, the OHADA framework links the taking of a mortgage to the existence of a registered building, and the BCEAO allows the value of the pledges to be taken into account for

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

the provisioning obligations only if the property has a land title, which must be formally registered in the land commissions. In the absence of such formal and definitive land titles, banks tend to refuse the granting of mortgage loans.

The African Union, ECOWAS and WAEMU have several regional land regularization initiatives. A WAEMU Action Plan on Land was adopted in 2009 and provides for the creation of a Regional Land Observatory in West Africa, ORFAO, whose feasibility study was carried out in 2013. However, this observatory, which was to be created by the WAEMU Commission to provide information, monitoring and communication on land issues, has not yet been set up.

As far as regulation is concerned, a bank or mortgage institution must comply with the 50% standard coverage ratio (medium and long-term uses per stable resource). Although this is legitimate to ensure the security and soundness of the banking system, it significantly hampers the expansion of housing finance.

It is very important that banks expand their housing finance activities, given the level of demand in the WAEMU region. This prospect however raises the problem of the backing of loans, which must be "affordable" in the long term and at a fixed rate.

The lack of means of backing leads banks to limit the number of housing loans they grant and/or to limit the duration of loans, thus making them less favorable for households. This situation also affects the housing supply since there is no sufficiently reliable actual demand that could encourage developers to build.

Decentralized financial systems are also regulated by BCEAO and subject to stricter prudential standards. Indeed, new regulatory mechanisms for the microfinance sector were adopted between 2008 and 2012, including an obligation to comply with a greater number of prudential ratios, such as: i) 100% coverage of long-term loans by long-term resources, ii) a limit on commitments on a single debtor to 10% and iii) a 10% capital limit on loans to related parties.

It is also worth noting the evolution of credit management regulation: a higher portfolio quality standard was adopted (90-day[7] portfolio at 3% limited risk) and an interest rate threshold for microfinance, which went from 27% to 24% at the beginning of 2014 (as against 15% for banks).

Given the important role that DFCs could play in the housing finance sector, and the "restrictive" nature of the regulations in force, it is necessary to put in place mechanisms to facilitate their access to long-term loans.

[7] Portfolio at risk 90 days = outstanding loans with overdues exceeding 90 days/Gross amount of loan portfolio (BCEAO standard: <3%)

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Finally, the availability of long-term housing loans, is the main challenge faced by banking institutions. Although there are some sources of financing in the region, these remain inaccessible to the majority of financial institutions. To address this challenge, CRRH was created in 2010-12 to refinance its shareholders' loans by mobilizing resources on the regional market.

In spite of its large shareholder base, and gradual decline in its rates, CRRH currently refinances a very limited number of banks. These call into question the cumbersome nature of the restrictions and consider that the rates charged by the institution are "prohibitive". Many banks have asked to subsidize their rates in the social and economic housing sector.

Furthermore, CRRH refinances only bank loans backed by mortgages based on land titles. However, due to the difficulties related to the formalization of these titles, loan applicants are often unable to provide their permanent title of ownership and many institutions are obliged to lend by establishing a "mortgage promise" (Banque de l'Habitat du Benin). Although decentralized financial systems are regulated at BCEAO level, CRRH's statutes did not allow it [until the advent of the World Bank/WAEMU project] to refinance the microfinance sector.

CRRH could play a more central role in promoting social housing at the regional level. Indeed, current mortgage volumes represent only a small fraction of the projects to be financed. Until the end of the study, mortgages refinanced by CRRH represented only 1.1% of demand.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION
1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

1.4. PROPOSED OPTIONS FOR AFFORDABLE HOUSING FINANCING

As part of the study, several alternative options for World Bank Group support were examined. Below is a summary of the options discussed.

- **Possibility of setting up a guarantee fund or program** to encourage lending institutions to go to the target market. This risk sharing would reduce the cost of credit. However, this solution is not effective for microfinance housing loans, as many variables come into play.

- **Creation of a Mortgage Asset Registry System (MARS) in WAEMU**. Currently, such a proposal cannot be implemented because the conditions concerning the mortgage market infrastructure are not met. The costs of implementation would also outweigh the benefits

- **Supply-side subsidies** (tax exemptions, lower material costs, etc.) to lower the selling price of a formal home. There are risks that real estate developers will benefit from such a measure to the detriment of targeted borrowers

- **Promotion of home savings plans**. The disadvantage is that informal workers may save, but be unable to borrow because of the volatility and irregularity of their income

- **Interest rate subsidy**. The disadvantage is that the cost of the subsidy may be higher over time, if interest rates or prices increase in the future

- **Creation of an Affordable Housing Liquidity Fund within CRRH** for its shareholder banks. The CRRH is one of the assets[8] of the WAEMU region. The aim is to capitalize on the experience and achievements of this regional liquidity provider, by operationalizing its affordable housing financing window, on a concessional basis, in the WAEMU region. This window would initiate and support the expansion of affordable housing financing in the Union. Bank shareholders could thus improve the supply of credit, by setting up: (i) more attractive interest rates or intermediation margins for low-income households; (ii) longer-term mortgage loans, the maturity of which can be aligned with CRRH bonds; and (iii) more attractive interest rates or intermediation margins for low-income households

It is expected that financing will be extended to DFCs (in the form of a credit enhancement fund), to support the financing of housing for households whose incomes are informal and irregular.

This latest proposal was finally adopted by the study[9].

[8] Other assets of the region include the implementation of ambitious real estate programs, the appetite of national and regional banks to expand the affordable housing market and the presence of large DFCs with significant potential to finance the housing of informal income groups or with informal property titles

[9] The additional options were also deemed possible. These include, for example, promoting the financing of housing cooperatives and refinancing loans backed by "mortgage promises.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION
1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

2. The regional affordable housing finance support project

This Project aims to broaden access to long-term housing finance in the WAEMU region. It will be implemented on the basis of loans and technical assistance. Its total cost is US$155 million.

The beneficiaries particularly targeted are households poorly served by banking financial institutions. These are households or individuals who cannot access housing finance because their incomes are irregular or too low, given the current loan maturities. A maximum loan amount of XOF15 million for banks and XOF10 million for non-banking institutions will be used to target beneficiaries, which corresponds to the average prices observed for social housing programs in member countries.

The project is closely aligned with the IDA 18 theme of transforming economies and creating jobs to reach the poor. Stimulating demand for housing loans will lead to higher investment in affordable housing, which will have a strong multiplier effect across the economy, given the number of related sectors, be it commodity production, construction, finished goods or financial services. IDA financing could result in 50,000 additional mortgage loans over 5 years.

2.1. PROJECT COMPONENTS

The project is based on five components, namely:

- Refinancing of low-income households (small loans) via banks;
- A refinancing window for DFCs
- Technical assistance for social housing policies
- Technical assistance for the DFC window
- The design of a regional warranty product.

The resulting overall outline can be summarized as follows

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

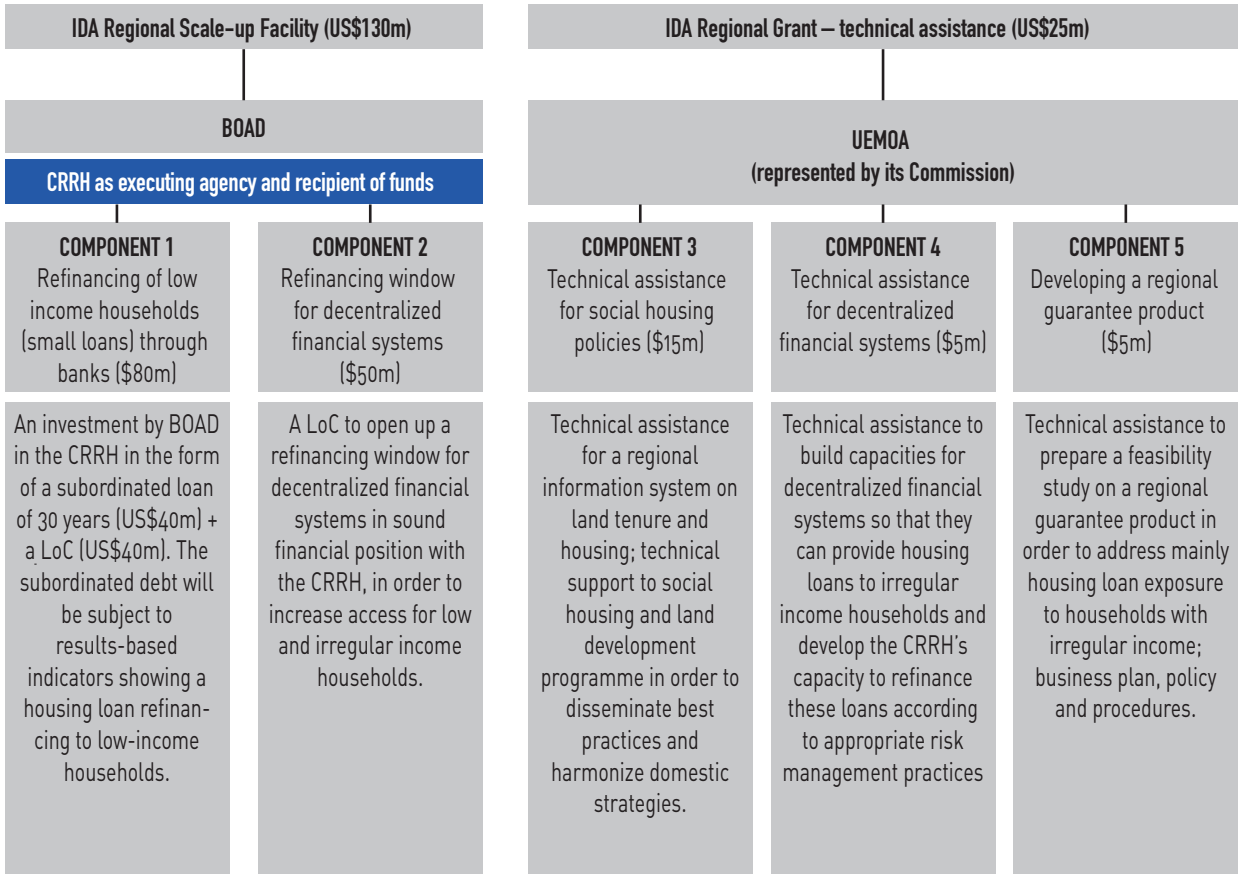
SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

PROPOSED STRUCTURE – FINANCING AFFORDABLE HOUSING IN THE WAEMU REGION



Components 4 and 5 implemented by the CRRH for the WAEMU based on a subsidiary agreement signed with the Commission.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

2.1.1. Component 1: Refinancing of low-income households (small loans) through banks

The aim is to expand the mortgage market throughout the region by extending housing finance to underserved households. This will be promoted by expanding the availability of long-term financing in the financial system, and by strengthening the capacity of the CRRH-UEMOA which could then be deployed on a larger scale.

The component is divided into a line of credit and a subordinated loan to CRRH, through BOAD. CRRH-UEMOA is expected to receive an allocation of US$40 million, which will significantly increase its equity capital, which stood at US$21 million in 2016. The credit facility will allow a more direct transfer of the IDA price subsidy, to encourage lenders to go lower in terms of targets in the housing finance market.

In terms of CRRH's existing eligibility criteria for lenders and loans (See. final titles, insurance), the project will specifically add: i) eligible loans, if initially capped at XOF15 million; and, ii) loans for the construction or acquisition of housing. Refinancing of households that previously benefited from a first mortgage loan will not be authorized (objective: first accessor).

- Component 1: Credit line for small mortgages

This sub-component will increase the refinancing of small loans by providing a price advantage for lenders willing to move down the market. Assuming that the IDA rate is below 3% and the cost of CRRH's bonds (without margin) remains below 6%, this would temporarily give a rate advantage of about 1.5% over market refinancing rates for lenders willing to lend in this segment.

Lenders will decide whether to retain part of the rate advantage, to offset higher levels of credit risk and the cost of investing in new systems, or whether to pass on (fully or partially) the rate advantage to borrowers.

This is similar to the approach used in a low-income housing finance project in India, which had a similar design and incentive structure. The longer maturity of CRRH's refinancing, authorized by IDA funds (beyond the current 10 years), will provide an additional incentive to financial institutions. Subsequent refinancing of loans by CRRH will be set at market rates and will depend on the rate at which bond issues are raised.

The beneficiaries of these loans should include solvent households of the self-employed, or those with modest incomes, who are currently excluded from the market. The main risk management tool that would be used by lenders is the direct debit of accounts. To move down the market, lenders will need to explore alternative ways to underwrite loans and manage risk by investing in computer systems, staff training and credit infrastructure. The incentive for reduced interest rates, which the credit line will allow, will help them to achieve this objective and will offer lenders compensation for the additional risks they will face.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION
1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

• Subordinated debt in CRRH's capital

This sub-component seeks to improve CRRH-UEMOA's balance sheet, thus enabling it to grow and explore other resources through the bond market. Additional support to CRRH's capital base will ensure that it is able to take more assets without capital constraints. This will facilitate the increase in the stock of bonds, which could potentially be raised at slightly lower rates. It is estimated that CRRH's financing cost on the bond market could be 0.25% lower with IDA support (the cost of the 2016 bonds was 5.85%).
Subordinated debt will also perform two other essential functions.

First, it will provide risk mitigation measures for Component 2. In this regard, non-bank financial institutions will have access to refinancing, without having to take a stake like banks. The subordinated debt will thus provide additional security, which will be important for bond investors, some of whom may fear the impact of refinancing to microfinance institutions on CRRH's risk profile.

Secondly, by investing the proceeds of the subordinated debt, CRRH will obtain a return on these funds, which will partially fund a currency risk hedge fund, since the IDA loan is paid in euros.

2.1.2. Component 2 : Refinancing window for DFCs

The 70 to 80% of the WAEMU population working in the informal sector, have little or no access to the traditional banking system. They have better access to microfinance institutions and large cooperative networks, which serve 17 million clients: about twice as many as banks. Some of these networks are financially sound and the largest are supervised by BCEAO.

The main constraint to the growth of this segment is the requirement for DFCs to fully balance the maturity of long-term loans with that of their financing resources, which is stricter than in the case of banks.

As part of the Project, CRRH will refinance real estate loans granted by microfinance institutions and cooperatives in good financial situation. The objective is to reach households working in the informal sector, by providing more substantial loans at longer repayment period. Eligible institutions will nevertheless have to demonstrate their financial soundness, as well as their previous experience in housing finance. They will also have to meet minimum prudential ratio requirements. Eligibility criteria for housing loans to be refinanced will reflect development objectives. First of all, the loan amounts should be significantly higher than those of microcredits, without bringing lenders into a high risk segment, with a maximum amount of XOF10 million (US$16,000), as well as a minimum maturity of 3 years and a maximum maturity of 10 years.

Secondly, emphasis will be placed on formal construction. Lenders should be able to monitor the quality of construction, and technical assistance may be provided for this purpose. Construction on formally titled land will be prioritized and building permits encouraged.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION
1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

Thirdly, prudent credit standards will be established, particularly for loans to existing clients and loans to informal sector households. In the absence of a registered title, documentation would nevertheless demonstrate the security of the title.

CRRH's guarantee will be different from the model currently used with banks. Currently, CRRH operates as a cooperative and lends only to its shareholders. This model is not applicable to this refinancing window, as microfinance institutions are not allowed by regulation to make equity investments in financial institutions. Thus, IDA funds lent to BOAD and injected into subordinated debt will fill the gap. Specific intervention rules for the DFCs will have to be defined accordingly by CRRH.

2.1.3. Component 3 : Technical assistance to social housing policies

Despite encouraging developments, the housing market has lagged behind the urbanization of the last 15 to 20 years. A large part of real estate does not have access to basic urban services and is made up of temporary materials.

Private developers have not closed the gap created by the decline of public enterprises. The developer market is small and especially inaccessible to the majority of the population. Few local developers have experience and they only offer a medium to small production capacity. More recently, major foreign developers have begun to establish themselves in the WAEMU region.

Over the past 5 years, housing has become a national priority for governments, which have announced national social housing programs to improve home ownership, with ambitious targets of over 280,000 social housing units over 4-5 years. The resulting programs benefit from subsidies, such as land mobilization, national budget financing and tax exemptions. Several operations are also at an advanced stage of preparation, or in the process of being carried out. However, many of the constraints encountered in past have not yet been addressed, including the following:

- Lack of comprehensive study on housing
- Lack of experience of the stakeholders involved in the coordination of major social housing projects
- Insufficient capacity of the private sector to produce on a large scale, while the local private sector is still emerging;
- Land delivery in cities is severely limited at all stages of the chain (long and costly land administration regulations, long conflict resolution, unpredictable land maintenance and inefficient urban planning).

The component under review will strengthen long-term capacity. It will contribute to improving land and housing policy instruments (institutional, financial and regulatory instruments), thereby supporting the development of an affordable housing market.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION
1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

To ensure proper coordination with housing finance activities, the component will seek to increase the production of houses, both through the developers' market and through self-construction. Its activities will also contribute to strengthening dialogue with national governments. Social housing and land management projects could even prepare the ground for other forms of future World Bank support to WAEMU countries.

- **Component 1 : Conduct analytical work, for sound national housing policies and for a better knowledge of the sector**

The component under review will establish a regional land and housing information system. The system will aim to provide useful information to governments for the preparation, monitoring and evaluation of national housing policies; it will also benefit the private sector.

The regional scope will promote economies of scale and strengthen technical skills. A feasibility study will be conducted to determine the design and financing model. The system should be set up in an existing research centre. Physical equipment will also be procured and manuals prepared to develop relevant indicators in countries and strengthen data collection methodologies. Component activities will also support data collection and analysis for the preparation of an initial set of national reports. Based on the data to be collected, workshops will be organized to help governments define their visions and strategies for national policies.

- **Component 2: From advisory services to national social housing projects**

Advisory services will be provided to support national social housing programs and accelerate the pace of affordable housing production in each country during the project period. The planned support will be provided to national governments as well as their agencies involved in the implementation of the programs. Consulting services will be tailored to each country's specific needs, including financial engineering, project design and project management. In any case, one of the main objectives will be to reduce the burden of land operations on national budgets, thus accelerating the provision of inter-urban infrastructure.

Stronger coordination of different tasks and interventions, with advanced planning and communication tools, will help increase the efficiency of land operations. The regional intervention will allow the consolidation of consultancy services for different countries into single contracts, which will be more attractive for international companies.

- **Component 3: Reduce constraints on access to land**

This sub-component will finance feasibility studies aimed at the adoption of land administration or land development mechanisms likely to have a transformational impact in the sector. The targeted feasibility studies will be conducted for pilot operations with

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION
1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

replicability potential both in the same country and in other WAEMU countries.

Through calls for proposals managed by the WAEMU Commission and an ad hoc Steering Committee, countries will be invited to submit proposals to conduct such feasibility studies. Several topics will be particularly relevant to market constraints: (i) urban planning and construction standards, (ii) land banks and wholesale developers, (iii) land financing mechanism, and (iv) land titles.

• Component 4: Capacity building

By its very nature, a regional project promotes economies of scale, particularly for capacity building and knowledge sharing activities. This sub-component will create several opportunities for public and private actors to strengthen their capacities in relation to sub-components 1, 2 and 3 above. The sub-component will include a series of workshops for the dissemination of studies and their findings, as well as training programs, which will help public and private actors to better position themselves in their respective roles.

The capacity building program will include:

i) Training for urban planners/architects/land surveyors, to be replicated at regional level through partnerships with academic institutions;

ii) Workshops for peer learning, as well as knowledge sharing for certain demand-driven skills

iii) Study tours for officials

A training program for property developers is expected to be established in collaboration with Shelter Afrique.

2.1.4. Component 4 : Technical assistance for the DFC window

The objective of this component will be to help DFCs access the refinancing window available from CRRH.

The financing component will seek to

i) The advisory services required to establish this window (development of a risk management framework, legal procedures and contracts for refinancing contracts with DFCs)

ii) CRRH's capacity building activities to enable it to manage emerging risks, and to enable DFCs to meet the window access eligibility criteria

Knowledge sharing activities could also be funded to enable CRRH and DFCs to learn lessons from other countries that have had to adapt their credit and risk management processes to housing finance at the informal sector level (e.g. India).

CRRH will also strengthen the capacity of banks and DFCs to manage environmental and social risks. Finally, technical assistance can be provided to help DFCs monitor the quality of construction in case of self-construction.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION
1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

2.1.5. Component 5: Design of a regional housing loan guarantee product

To expand the housing finance market to households working in the informal sector, the project will finance a feasibility study dedicated to the design of a regional guarantee product. Different approaches can be considered:

i) A risk-sharing system that partially protects primary lenders when they provide loans to targeted populations; this scheme could act in synergy with the guarantee funds that exist in certain countries (Senegal), in particular as reinsurer of national funds

ii) Proceeds from hedging the debt issued by the DFCs to finance long-term housing loans

iii) Temporary insurance to cover lenders until land titles become final

In addition to the above feasibility study, the component will finance a business plan, a financial model, as well as the development of the necessary rules and procedures to launch the guarantee product. It will also cover training programs for financial institutions

The estimated cost of the various components mentioned above is as follows:

PROJECT COMPONENTS	PROJECT COST		
	Global	IDA SUF	GRANT
Refinancing of small mortgage loans through	79,675	79,675	
Refinancing window for non-bank financial institutions	50	50	
Technical assistance for social housing policies	15		15
Technical assistance for the non-bank refinancing window	5		5
Design of a regional guarantee product for housing	5		5
Total cost	**154,675**		
Initial fee (0.25% of IDA SUF) - from first disbursement	0.325	0.325	
Total financing	**155**	**130**	**25**

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION
1. MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU
1.1. Characteristics of the housing supply
1.2. The housing loan market
1.3. Main constraints affecting housing supply and demand
1.4. Proposed options for affordable housing financing
2. THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT
2.1. Project components
3. THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT
4. CONCLUSION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

3. The respective roles of BOAD, the WAEMU Commission and CRRH-UEMOA in the financing and implementation of the project

The diagram presented above, concerning the overall architecture of the project, announced some aspects of the respective roles that BOAD, the WAEMU Commission and the CRRH-UEMOA play, or will play, in the financing and implementation of the project.

The project will be financed through a loan and a subsidiary grant set up by the World Bank.

For requirements related to the private nature of CRRH-UEMOA, BOAD was compelled to act as counterpart for the World Bank loan. The resources mobilized by BOAD (€116 million) were then returned to CRRH-UEMOA. For this onlending exercise, the Bank applied the same financial conditions as those obtained from the World Bank, subject to a symbolic commission intended to cover administrative costs. By acting as the World Bank's counterpart in the operation, BOAD agreed to a corresponding reduction in its overall margin of available debt for the deployment of its direct interventions.

In contrast, being a financial institution that conducts "banking" activities alongside those of a "concessional" nature, BOAD was not eligible to receive the IDA grant. The WAEMU Commission was thus chosen to do this. The latter will manage the grants in consultation with BOAD, CRRH and other bodies, including BCEAO.

A Steering Committee comprising BOAD, BCEAO, the WAEMU Commission and CRRH will also be created as part of the monitoring mechanism for the components to be financed by the IDA grant. Technical focal points will also be appointed by each Member country to support the WAEMU Commission in the implementation of activities related to technical assistance to affordable housing policies.

CRRH-UEMOA will ultimately be the key player in the implementation of the Project. It will manage the credit facilities and implement a number of activities expected under the technical assistance component. In doing so, it will manage non-bank refinancing and design of the regional housing loan guarantee product.

The WAEMU Commission, for its part, will provide technical assistance related to affordable housing policies.

Thus, the project has two regional implementing agencies, namely CRRH-UEMOA on the one hand and the WAEMU Commission on the other.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

1. **MAIN FINDINGS OF THE STOCKTAKING STUDY ON AFFORDABLE HOUSING IN WAEMU**
   1.1. Characteristics of the housing supply
   1.2. The housing loan market
   1.3. Main constraints affecting housing supply and demand
   1.4. Proposed options for affordable housing financing
2. **THE REGIONAL AFFORDABLE HOUSING FINANCE SUPPORT PROJECT**
   2.1. Project components
3. **THE RESPECTIVE ROLES OF BOAD, THE WAEMU COMMISSION AND CRRH-UEMOA IN THE FINANCING AND IMPLEMENTATION OF THE PROJECT**
4. **CONCLUSION**

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

4. CONCLUSION

BOAD, as part of its activities has contributed immensely to the identification and implementation of the World Bank/WAEMU project aimed at developing affordable housing financing in the Union.

This is a structuring project, since it has a target of approximately 50,000 additional mortgage loans over 5 years. However, this project can only address part of the housing problem. Indeed, the housing deficit in the WAEMU region, two years ago, was estimated at about 3.5 million, with a need to construct 2000 new dwellings per day.

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However, beyond the number of loans and houses that the project will directly generate, it is also expected to contribute to a significant improvement in regional know-how in engineering, technical and financial support to national housing programs.

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING
IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

LIST OF ANNEXES

ANNEX 1: Presentation of BOAD and its organization chart as at 31/12/2017

ANNEX 2: BOAD governing bodies as at 31/12/2017

ANNEX 3: Main decisions of the governing bodies in 2017

ANNEX 4: List of loans approved by BOAD in 2017

ANNEX 5: Profile of projects financed in 2017

ANNEX 6: List of agreements/contracts for loans, bond guarantees, equity investments, financing arrangements and credit facilities signed in 2017

ANNEX 7: List of regional projects financed by the Bank

ANNEX 8: Changes in net flows of resources per country as at 31/12/2017

ANNEX 9: Distribution in net cumulative commitments as at 31/12/2017

ANNEX 10: Distribution in net cumulative disbursements as at 31/12/2017

ANNEX 11: Governance of BOAD

ANNEX 12: BOAD staff per qualification, gender, process and activity as at 31/12/2017

ANNEX 13: Financial position of the Bank as at 31/12/20176

ANNEX 14: WAEMU key macroconomic indicators

TABLE OF CONTENTS
PRESIDENT'S STATEMENT
SYNOPSIS ON BOAD
AND LOANS GRANTED IN 2017
HIGHLIGHTS OF THE YEAR 2017

SECTION ONE
ECONOMIC AND SOCIAL ENVIRONMENT

SECTION TWO
ACHIEVEMENTS IN 2017

THEME FOR THE YEAR
BOAD AND SOCIAL HOUSING FINANCING IN THE WAEMU REGION

LIST OF ACRONYMS AND ABBREVIATIONS
LIST OF ANNEXES
ANNEXES

ANNEXES

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