



Annual report 2010

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For seven of the eight Member States of BOAD, the year 2010 has been a special one, marked by the commemoration of the fiftieth anniversary of accession to national sovereignty. BOAD contributed towards the celebrations by organizing in Lome on 15 and 16 June, an international forum on the theme “Sustainable Development and Major Structuring Projects : Evaluation of achievements and new challenges to be taken up”. The forum provided an opportunity for the joint preparation of an economic and social assessment of the fifty years of independence. It also provided an opportunity for sharing new visions and ambitions, in the hope that the next fifty-year period would be the one of the emergence of WAEMUWAEMUcountries in particular and African countries in general.

In the course of the year 2010, WAEMU WAEMUrecorded quite a good economic performance, drawing upon the positive results of the gradual recovery of the world economy. The real GDP growth in the zone was 4.0%, compared to 2.8% in 2009; inflation stood at 1.2%, compared to 1.1% in 2009.

In this connection and in pursuance of the implementation of its 2009-2013 Strategic Plan, BOAD once again increased the annual level of its funding from FCFA234.1 billion in 2009 to FCFA260.8 billion. The support provided will contribute to the execution of investment projects, particularly in the areas of agriculture, environment, economic infrastructure, industry and services.

The Bank’s assistance was boosted by that of the Energy Development Fund (FDE), an instrument for concessional funding created as

part of the Regional Initiative for Sustainable Energy (IRED), which is managed by the Bank. The Energy Development Fund became operational in 2010 and its interventions during this year amounted to FCFA130 billion. They were aimed at carrying out projects to boost power generation, transmission and distribution. The funds concerned will thus contribute towards attenuating “load shedding” whose implications are actually very detrimental to the productivity of the economies of the Union.

Through guarantee transactions (FCFA15 billion) and financing arrangement (FCFA103 billion), the Bank assisted companies in their resource mobilization activities on the regional capital market or from the banking system.

Disbursements during the period amounted to FCFA101 billion.

Following the adoption by the Council of Ministers of the texts authorizing the launching of the mortgage market and the arrangement of securitization transactions, BOAD created a Regional Fund for Mortgage Refinancing (CRRH) and “BOAD Titrisation”, which is a securitization company. The creation of the Regional Fund for Mortgage Refinancing (CRRH) was achieved by roping in as shareholders and future users of that institution’s services, close to thirty primary banks and financial institutions within the Union.

In 2010, BOAD financed its first project eligible for the Clean Development Mechanism (CDM). The Bank also granted its first short-term loan in conformity with one of the guidelines agreed upon in 2009, on the occasion of the updating of its Policy Statement.

The feasibility study being carried out on a crop insurance scheme was continued. The outcome of the study should be submitted to the Board of Directors soon.

Resource mobilization activities, for their part, were marked particularly by the negotiation of FCFA147 billion in the form of borrowings. Considering the Bank's performances and the forecasts concerning its activities, and, in order to enhance its intervention capacity, the shareholders decided in June to increase its authorized capital by 50% , from FCFA700 billion to FCFA1,050 billion. This will make it possible to strengthen the Bank's debt ratio.

Thanks to prudential management and reforms embarked upon, BOAD's financial position has improved. Its activities continue to yield positive results as at the end of 2010, namely, FCFA4.9 billion in the event of the application of the usual norms stipulated in the Bank's Chart of Accounts and FCFA 7.9 billion, with the application of the IFRS standards.

During the financial year, the Board of Directors approved the shift from the Bank's accounting practices to the international financial reporting standards (IFRS). The Board also approved the adoption of the programme-budgeting as the Bank's new budgetary reference framework.

To me, as the one to whom the Heads of State



CHRISTIAN ADOVELANDE

Chairman

and Government have done the honour to entrust the management of the institution, these results inspire renewed confidence in BOAD's capability to affirm itself as a precious tool for poverty reduction and financing of the public as well as the private sector. I would therefore like to express my admiration for the work done by my predecessors, especially

the last of them, namely Mr. Abdoulaye Bio-Tchané.

I undertake to continue to implement the 2009-2013 Strategic Plan which was validated by the highest decision-making bodies of the Union. At the end of 2011, which marks the middle of the five-year period covered by the plan, a mid-term report will be prepared to serve as the basis for updating the plan, if need be.

I wish to express my heartfelt thanks to the Heads of State and Government of Member States, the WAEMU Council of Ministers, the Board of Directors of BOAD, the WAEMU Commission and our cooperation partners for their constant and multifarious support which have made it possible for BOAD to achieve these results.

Finally, I would like to extend my warmest congratulations to the entire staff of the Bank for the quality of the work they have been doing. I urge these women and men to continue to give the best of themselves.

LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|------------------|--|
| AFA: | African Fund for Agriculture |
| ADF: | African Development Fund |
| AFD: | French Development Agency |
| AGRA: | Alliance for Green Revolution in Africa |
| AFDB: | African Development Bank |
| BCEAO: | Central Bank of West African States |
| BCP: | Business Continuity Plan |
| BDEAC: | Central African Economic Development Bank |
| BNDS: | National Economic and Social Development Bank of Brazil |
| BOAD: | West African Development Bank |
| BRVM: | WAEMU Regional Stock Exchange |
| BTP: | Building and Civil Industry |
| CDB: | China Development Bank |
| CDE: | Enterprise Development Centre |
| CDM: | Clean Development Mechanism |
| CILSS: | Permanent Inter-State Committee on Drought Control in the Sahel |
| CREPMF: | WAMU Regional Board on Public Savings and Capital Markets |
| CRRH: | WAEMU Regional Fund for Mortgage Refinancing |
| ECOWAS: | Economic Community of West African States |
| EIB: | European Investment Bank |
| ERP: | Enterprise Resource Planning |
| FAO: | United Nations Food and Agriculture Organisation |
| FCFA: | Franc of the African Financial Community |
| FDC: | Development and Cohesion Fund |
| FDE: | Energy Development Fund |
| GDP : | Gross Domestic Product |
| GIEC: | Inter-Governmental Group of Experts on Climate Evaluation |
| IAS/IFRS: | International accounting standards/International financial reporting standards |
| IDA: | International Development Association |
| IFAD:: | International Fund for Agricultural Development |
| IFC: | International Finance Corporation |
| IMF : | International Monetary Fund |
| IREC: | Regional Initiative for Sustainable Energy |
| KFW: | Kreditanstalt für Wiederaufbau (German Financial Cooperation Agency) |
| NC: | National communications |
| NEPAD: | New Partnership for Africa's Development |
| NFI : | National financial institution |
| NICTS: | New Information and Communication Technologies |
| OECD: | Organisation for Economic Cooperation and Development |
| OEEB: | Austrian Development Bank |
| OPEC: | Organisation of Petroleum Exporting Countries |
| PACITR : | Community Programme of Action for Infrastructure and Road Transport |
| PANA: | National Programme of Action for Adaptation |
| PDMF: | WAEMU Capital Market Development Project |
| PER : | Regional Economic Programme |
| PROPARCO: | Promotion and Participation Company for Economic Cooperation |
| SME: | Small and medium-scale enterprise |
| SDR: | Special Drawing Rights |
| UNDP : | United Nations Development Programme |
| UNFCCC: | United Nations Framework Convention on Climate Change |
| UPDP: | Project Preparation and Development Unit |
| WAEMU: | West African Economic and Monetary Union |
| WAPP: | West African Power Pool |

BOAD AND FINANCING PROVIDED IN 2010

| | |
|---|---|
| Date of establishment | 14 November 1973 ; commencement of operational activities in 1976 |
| Shareholders | <ul style="list-style-type: none"> • WAEMU member states: Benin, Burkina Faso, Côte d'Ivoire, Guinea Bissau, Mali, Niger, Senegal and Togo • BCEAO • Seven non-regional shareholders: AfDB, EIB, France, Belgium, Germany, EXIM BANK of India and People's Republic of China |
| Mission | Promoting balanced development in Member States and fostering economic Integration in West Africa |
| Vision by 2020 | Making BOAD a solid and world-class development bank in the regional common market |
| Authorized capital as at 31/12/2009 | FCFA 1,050 billion |
| Subscribed capital as at 31/12/2009 | FCFA 950.5 billion |
| Total balance sheet as at 31/12/2009 | FCFA 903.5 billion |
| Bank staff complement as at 31/12/2009 | 250 employees |
| FUNDING IN 2010 | 38 transactions totalling FCFA 260.8 billion, in the form of : |
| | Direct loans: FCFA 241 billion or 92.4% |
| | Indirect loans: FCFA 10.5 billion or 4% |
| | Equity investments: FCFA 9.3 billion or 3.6% |
| | Sectoral breakdown of fundings : |
| | Non-commercial sector: FCFA 135.2 billion or 51.8% (16 operations) |
| | Commercial public sector: FCFA 40.4 billion or 15.5% (4 operations) |
| | Private sector: FCFA 85.2 billion or 32.7% (18 operations) |
| | including Integration: FCFA 93.5 billion or 35.9% (15 operations) |
| Approved aggregate, 1976 - 2010 | FCFA 1,680.2 billion for 541 operations (FCFA 1810.2 billion for 547 operations, including the Energy Development Fund). |

■ 17 March

3rd round of AFD Group-BOAD Annual Meetings

The third round of the French Development Agency (AFD) Group-BOAD Annual Meetings, the purpose of which is to promote a strategic partnership between both parties, was organized on 17 March 2010 in Paris. The discussions dealt inter alia, with the handling of environmental issues within the framework of development project financing, as well as the functioning of financial markets in African countries in the franc zone.

■ 25 March

Regional workshop for the validation of BOAD's intervention strategy in the drinking water and sanitation sectors

A regional workshop for the validation of BOAD's intervention strategy in the drinking water and sanitation sectors was held on 25 March 2010 at the Bank headquarters in Lomé. The discussions made it possible to enrich the provisional version of the study on the strategy, which was adopted by the Board of Directors at its session in September 2010.

■ 05 June

Operation dubbed «One Staff Member, One Tree for Lomé»

The Operation "1000 Trees for Lomé" which was initiated in 2009 continued in 2010, with the theme "One Staff Member, One Tree". On that occasion, each staff member of BOAD, led by the top executives of the institution, planted a tree along the Boulevard Eyadema, from the Colombe de la Paix intersection to the entrance of the University of Lomé. This civic initiative falls within the annual programme of social responsibility activities of the Bank.

■ 15 – 16 June

BOAD Forum on the fiftieth anniversary of independences within the WAEMUWAEMU

Within the framework of the commemoration of the fiftieth anniversary of seven (7) of the WAEMU Member States, BOAD organized on 15 and 16 June at its headquarters in Lomé, an international forum on "Sustainable development and promotion of major structuring projects: Evaluation of achievements and challenges to be taken up". This event which was attended by distinguished guests from international organizations, African universities, Governments of BOAD Member States, etc., provided an opportunity to take stock of the policies implemented in various fields during the fifty years of independence. The discussions also dealt with the prospects of sustainable development of the continent during the coming fifty years.

■ 30 June

Increase of the authorized capital of BOAD

The Board of Directors of BOAD at its ordinary session held on 30 June 2010, decided to increase the authorized capital of the Bank by 50%, from FCFA700 billion to FCFA1,050 billion. The objective of this measure is to enhance the Bank's debt capacity and enable it to carry out the programme of activities envisaged under its 2009-2013 Strategic Plan.

■ 16 July

Launching of the WAEMUWAEMU Regional Mortgage Refinancing Fund (CRRH-WAEMU)

In collaboration with the Central Bank of West African States (BCEAO), the Regional Board for Public Savings and Capital Markets, (CREPMF) and the WAEMUCommission, BOAD organized on 16 July 2010 in Cotonou, Republic of Benin, the Constituent General Meeting which marked the official launching of the WAEMU Regional Fund for Mortgage Refinancing (CRRH-WAEMU). The launching ceremony was followed by the first session of the Board of Directors.

The CRRH-WAEMU which has a capital of FCFA 3,426,000,000 will be provided with offices on the premises of BOAD, its biggest shareholder. The purpose of the Fund is to facilitate the access of the shareholder banks to long-term resources for the financing of housing and development of long-term housing loans at competitive rates.

■ 1st August

Moving into the offices in the extension to BOAD Headquarters Building

The extension to the BOAD headquarters, which began with the sod-cutting ceremony in November 2007, was placed at the disposal of staff members on 1 August 2010. It contains 150 new offices which will make it possible to support the development of the Bank's activities and improve the working environment of the staff.

■ 11 - 12 August

Workshop for the validation of the first phase of the feasibility study on the establishment of a crop Insurance Mechanism in the WAEMU Zone

On 11 and 12 August 2010, BOAD organized a workshop for the validation of the first phase of the study on the establishment of a crop insurance mechanism within the WAEMU zone. This mechanism will contribute towards ensuring better security of economic activities in the agricultural sector.

The workshop was attended by representatives of WAEMU Member States, the WAEMU Commission, BCEAO, banking and insurance institutions and various international institutions and national and sub-regional farmers' organizations.

The discussions held during the workshop made it possible to define the bases on which the second phase of the study will be carried out. The report concerning this second phase is expected by March 2011 and a workshop is scheduled to be held for its validation in May 2011.

■ 30 September

Approval by the Board of Directors of the first project eligible for the Clean Development Mechanism (CDM)

At its 78th meeting held on 30 September 2010 in Ouagadougou (Burkina Faso), the Board of Directors of BOAD approved the first project of the institution eligible for the Clean Development Mechanism (CDM). The project concerns the construction of a biogas recuperation and flaring unit at the Akouédo refuse dump in Abidjan (Côte d'Ivoire).

■ 29 October

Opening of the ANANI SANTOS Park

Within the framework of its civic responsibilities, BOAD financed the modernization of the ANANI SANTOS Park in Lomé. The opening ceremony of the park took place on 29 October 2010. The occasion was presided over by the Chairman of the Bank, Mr. Abdoulaye Bio-Tchané.

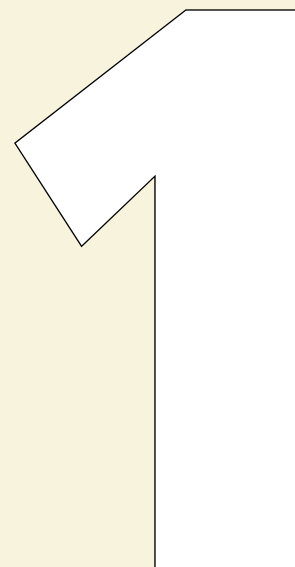
This amusement park will contribute towards the entertainment of people, particularly children.

■ 09 December

Signing of the BOAD- KfW Financial Cooperation Agreement relating to Adaptation to Climate Change

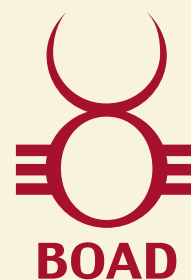
Within the framework of their cooperation, the Chairman of BOAD and the KfW Director for Africa signed an Agreement on 9 December 2010 for the granting of a non-repayable facility amounting to 10.662 million euros to BOAD. The facility is aimed at subsidizing loans for the financing of projects concerning adaptation to climate change in Sahelian countries.





I. ECONOMIC AND SOCIAL ENVIRONMENT

- 1.1. INTERNATIONAL ECONOMIC ENVIRONMENT
- 1.2. ECONOMIC AND SOCIAL CONTEXT WITHIN THE WAEMU



1.1. ECONOMIC AND SOCIAL ENVIRONMENT

Thanks to the ambitious and strong measures taken, particularly by the public authorities of the advanced or emerging countries to stem the effects of the international crisis, the world economy started recovering in 2010. For that year, the growth rate was roughly 5.0%, compared to 2009, when growth shrunk to 0.6%.

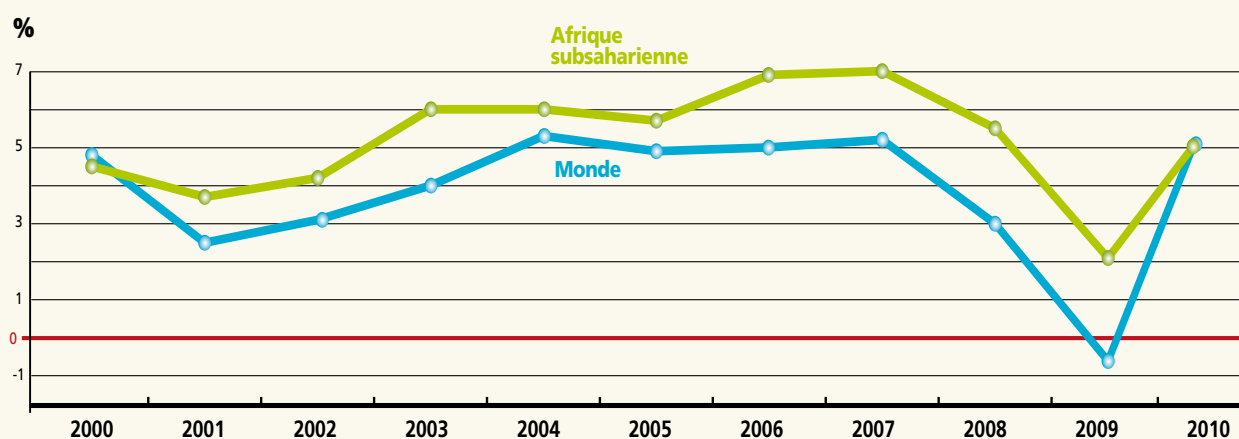
However, recovery has been uneven. In the advanced countries, activity was sustained, particularly in the third quarter of 2010, by the dynamism of consumption in the United States and Japan. Economic activity in these countries was expected to increase by 3.0% during the year, compared to a decline of 3.4% in 2009. In the Euro zone, which is a partner of most sub-Saharan African countries, the rate of recovery was moderate. Economic activity in this zone increased by only 1.8% in 2010. In emerging and developing countries, growth remained well on course in 2010, owing to the firmness of private sector demand, the pursuit of growth-stimulating policies and the upturn in capital inflows. Real GDP growth should thus be roughly 7.1% in 2010, compared to 2.6% in 2009.

In sub-Saharan Africa, an upturn in activity was noted after the 2009 downturn. In this region, economic growth should be 5.0% in 2010, compared to only 2.8% in 2009. Driven by the recovery of world demand and raw material prices, consumer prices were pushed upwards in 2010. An increase of 1.5% in prices was recorded in the advanced countries, compared to 0.1% in 2009. In the emerging and developing countries, prices increased by 6.3%, compared to 5.2% in 2009.

World trade experienced noteworthy growth, backed by the strong increase in investment as a result of the recovery of the world economy. In fact, the volume of world trade in goods and services increased by 12.0% in 2010, compared to a fall of 10.7% in 2009.

Source : IMF data (WEO 2010 and previous editions)

GRAPH 1: TREND OF REAL WORLD GDP GROWTH FROM 2000 TO 2010 (%)



On the money markets, despite the persistence of certain factors of vulnerability, particularly the worries about banking sector losses and the viability of government finance, global financial conditions generally improved in the second half of 2010. Share markets experienced an upswing, risk premiums continued to fall and the conditions of access to bank loans in the major advanced countries have become more flexible, even for small and medium scale enterprises.

On the raw materials market, prices have generally been increasing. Gold prices soared owing to the increasing aversion of investors for risks.

1.2. ECONOMIC AND SOCIAL CONTEXT WITHIN THE WAEMU

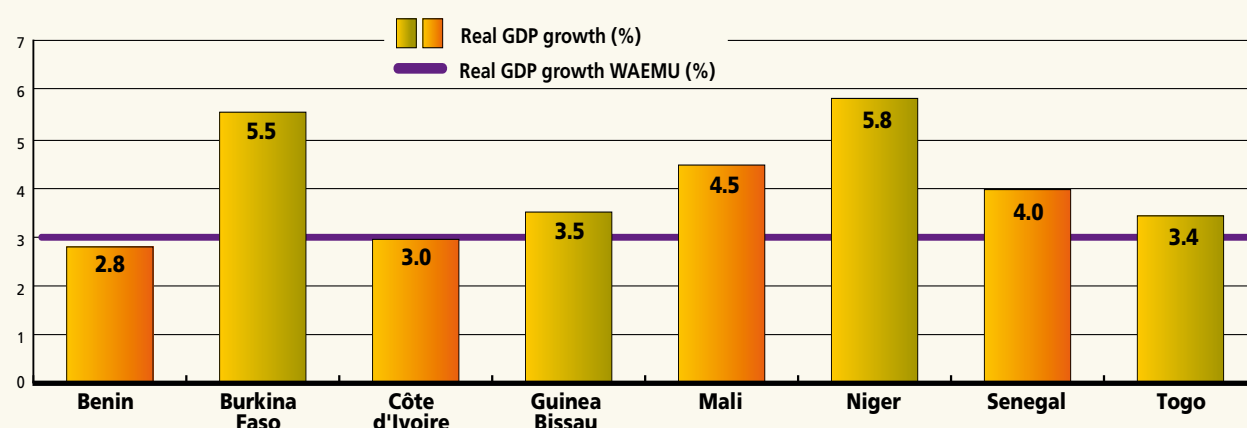
1.2.1. ECONOMIC SITUATION

Economic activity within the WAEMU benefitted from the positive spinoffs of world economic recovery which started in 2010. Real GDP growth was 4.0%, compared to 2.8% in 2009 and inflation stood at 1.2%, compared to 1.1% in 2009. This rate of growth of economic activity was mainly due to agricultural production, mining and the good performance of the building and civil industry sector. Major infrastructural and building construction projects were noted, which should continue in the short and medium terms. Economic activity took place within a context of low inflation, associated with the moderate rise in food prices.

Government finance management was marked by a worsening of the major budgetary deficits. The overall deficit excluding grants and the overall deficit stood at 6.4% and 3.2% of the GDP respectively, compared to 6.2% and 2.3% in 2009. This result is the consequence of a strong increase in the wage bill and investment expenditure, particularly in respect of investment financed with internal resources. As at the end of December 2010, the outstanding public debt was reportedly 43.9% of the GDP, compared to 44.7% as at the end of 2009.

Source : WAEMU Commission

GRAPH 2: REAL GROWTH RATE OF WAEMU MEMBER COUNTRIES IN 2010 (%)



The **money supply** within the Union reportedly increased by

9.9%

to FCFA

11,703.3

billion

With regard to foreign trade, the current account deficit (excluding grants) reportedly increased, representing 6.8% of the GDP in 2010, compared to 5.4% in 2009. This development is reportedly the result of the net increase in the import of goods and services attributable to the increase in the oil and food bills, compounded by an increase in the acquisition of capital or intermediate goods. The impact of imports on the current deficit is reportedly attenuated by exports of gold, cotton, uranium and oil. Thus the overall balance of the balance of payments reportedly stood at FCFA162.8 billion, which was worse by FCFA376.8 billion than the situation in 2009.

With regard to the monetary situation, the money supply within the Union reportedly increased by 9.9% to FCFA11,703.3 billion as at the end of December 2010. This development is reportedly due to the increase in net foreign assets (+3.07%) and in domestic credit (+12.2%), which amounted to FCFA5,459.9 billion and FCFA8,139.6 billion respectively as at the end of December 2010. The domestic credit reportedly reflects the increase in credit to the economy and the worsening of the net position of the States in relation to the banking system. The outstanding credit to the economy is reported to have increased by FCFA421 billion, or 6.9%, to FCFA6,536.8 billion as at the end of December 2010.

On the regional financial market, business transactions were brisk in 2010, unlike the contrasted trend observed in 2009. For the year 2010, debenture loans accounted for a significant portion of the resources mobilized (94.0%) and were made up mainly of borrowings from States, which mobilized from the regional financial market an amount of FCFA163.1 billion, compared to FCFA107.3 billion in 2009 and FCFA64.7 billion in 2008.

1.2.2. HUMAN DEVELOPMENT

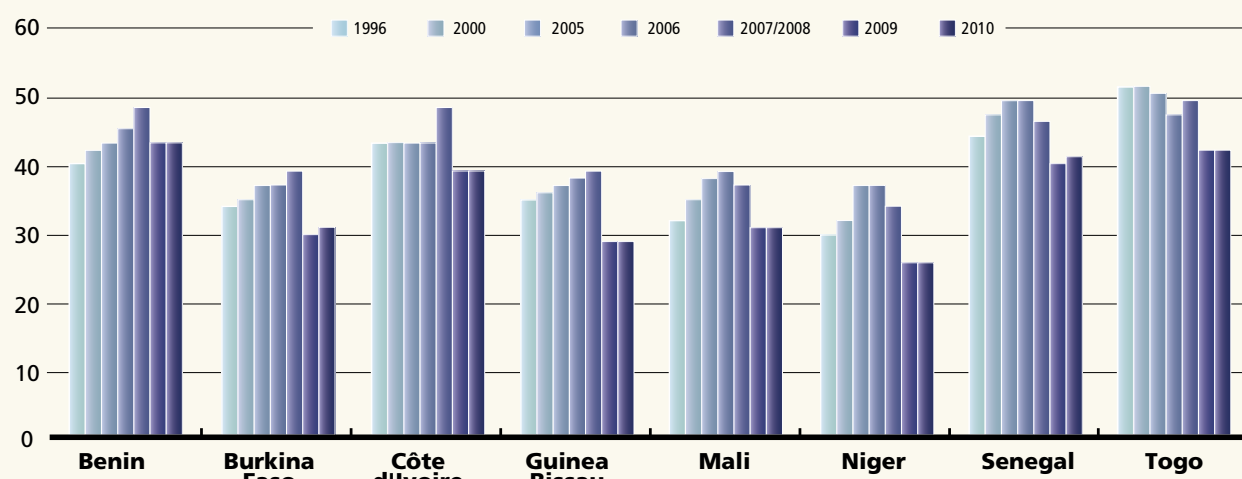
WAEMU Member States are still classified in the group of countries with a low level of human development. This global positioning shows that progress in improving the living conditions of the people of the sub-region remains slow and hardly perceptible. The human development index level

TABLE 1: **REAL GDP GROWTH RATE OF THE WAEMU FROM 2000 TO 2010 (%)**

| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|---------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|----------|
| BENIN | 4.9 | 6.2 | 4.4 | 3.9 | 3.1 | 2.9 | 3.8 | 4.6 | 2.7 | 2.7 | 2.8 |
| BURKINA FASO | 1.6 | 6.6 | 4.7 | 8.0 | 4.6 | 7.1 | 6.4 | 3.6 | 5.2 | 3.2 | 5.5 |
| CÔTE D'IVOIRE | -2.3 | 0.1 | -1.6 | -1.7 | 1.6 | 1.8 | 1.2 | 1.6 | 2.3 | 3.8 | 3 |
| GUINEA BISSAU | 7.5 | 0.2 | -7.1 | 0.6 | 3.2 | 3.8 | 1.8 | 2.7 | 3.3 | 3 | 3.5 |
| MALI | -3.3 | 11.9 | 4.3 | 7.6 | 2.3 | 6.1 | 5.3 | 4.3 | 5.0 | 4.5 | 4.5 |
| NIGER | -2.8 | 7.4 | 5.3 | 7.6 | -0.8 | 7.2 | 4.8 | 3.3 | 9.5 | -1.2 | 5.8 |
| SENEGAL | 5.1 | 4.6 | 0.7 | 6.7 | 5.8 | 5.3 | 2.1 | 4.7 | 2.4 | 2.2 | 4 |
| TOGO | -0.9 | -2.3 | -0.2 | 4.8 | 2.5 | 1.3 | 1.9 | 2.1 | 1.8 | 3.2 | 3.4 |
| WAEMU | -0.1 | 3.8 | 1.3 | 3.9 | 3.5 | 4.4 | 3.1 | 3.3 | 3.7 | 2.8 | 4 |

Sources : Semi-annual multilateral surveillance report (WAEMU Commission) of December 2010 and previous editions

GRAPH 3: TREND OF HDI IN THE WAEMU COUNTRIES BETWEEN 1995 AND 2010



Source :
UNDP Reports on human
development 2009/2010

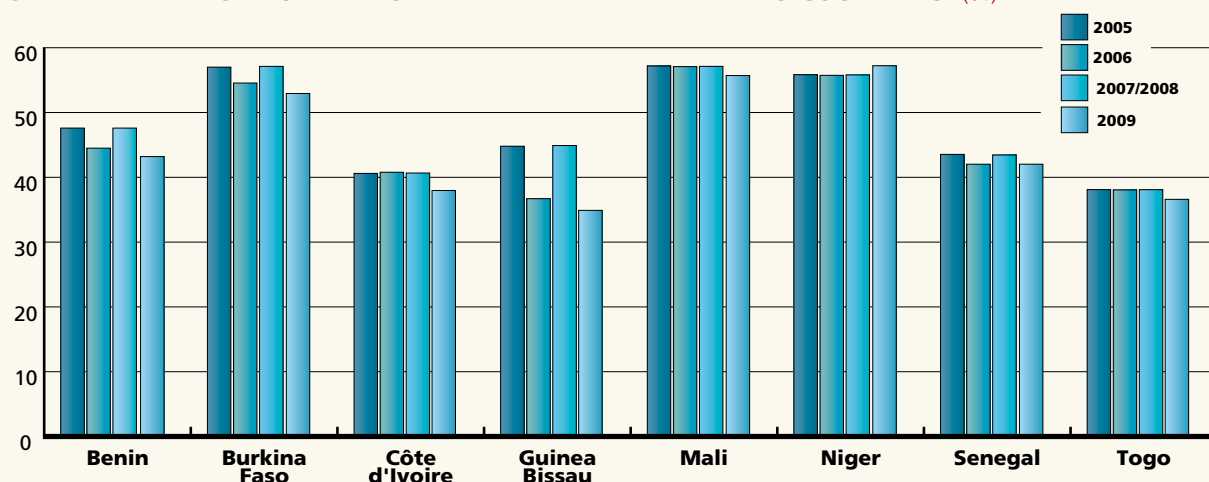
is lower than in the previous years (Graph 3). This situation could be attributed to the fact that the budgets of low-income households have been put under great pressure by the increase in prices as a result of the food crisis and the effects of the international crisis of 2008 and 2009. Despite the progress made in the social sectors, human poverty is relatively higher in the Sahelian countries (Mali, Burkina Faso and Niger) than in the coastal countries, as indicated in graph 4 below.

In the UNDP2010 report on human development, the human poverty index (HPI) was replaced by a multidimensional poverty index (MPI) which combines three dimensions, namely, health, education and standard of living, which are expressed through ten (10) indicators, unlike the human poverty index. Analyses of poverty in coming years will be made on the basis of the multidimensional poverty index.

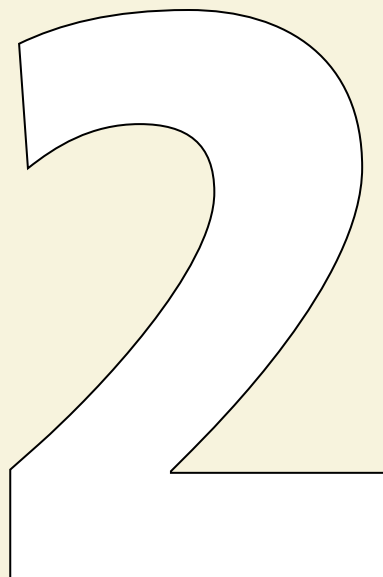
Source : UNDP, Reports on
human development,
2009 and previous editions

Compared to the human poverty index, the multidimensional poverty index shows that poverty is more dire and more multidimensional in the WAEMU zone. The following graph shows the level of multidimensional poverty index per country in 2010.

GRAPH 4: TREND OF HUMAN POVERTY INDEX IN THE WAEMU COUNTRIES (%)

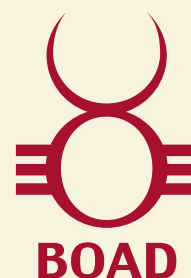






II. BOAD'S ACHIEVEMENTS IN 2010

- 2.1. ACTIVITIES AIMED AT POSITIONING THE BANK AS A STRATEGIC INSTRUMENT OF THE STATES
- 2.2. PARTNERSHIP WITH FIRMS AND INNOVATIVE FINANCING
- 2.3. PROMOTION OF PARTNERSHIPS AND POPULARIZING OF FINANCIAL MARKET STRUCTURES AND INSTRUMENTS
- 2.4. COOPERATION AND RESOURCE MOBILIZATION ACTIVITIES
- 2.5. ALIGNING THE ORGANISATION, FUNCTIONING AND METHOD OF GOVERNANCE



Thanks to the continuation of the implementation of its 2009-2013 Strategic Plan, BOAD was able to carry out in 2010 a higher level of activity than in 2009.

Besides the funding granted under the Regional Initiative for Sustainable Energy (IREN), through the Energy Development Fund (FDE) which is being managed by BOAD, the Bank's commitments in 2010 towards the economies of the Union amounted to FCFA260.8 billion, compared to FCFA234.1 billion in 2009. Taking into consideration the financing from the Energy Development Fund, the amount of commitments for the year stood at FCFA390.8 billion, representing a 67% increase compared to 2009.

TABLE 2: **BREAKDOWN OF APPROVALS PER SECTOR IN 2010**

| | Approvals (Million FCFA) | Number of operations | % Approvals |
|--|------------------------------------|---------------------------------|--------------------|
| NON-COMMERCIAL SECTOR (a) | 135,600 | 17 | 51.8 |
| including special agricultural programme | 27,500 | 6 | 12.0 |
| COMMERCIAL SECTOR (b = i + ii) | 125,200 | 21 | 48.2 |
| private (i) | 85,200 | 17 | 32.7 |
| public commercial (ii) | 40,400 | 4 | 15.5 |
| TOTAL (a+b) | 260,800 | 38 | 100% |

Source : BOAD

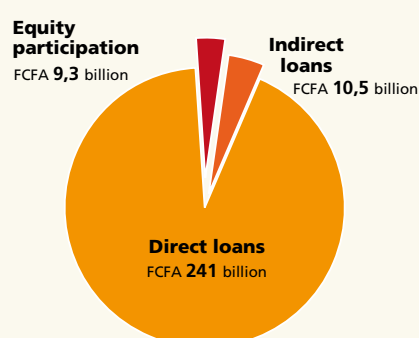
The breakdown by sector of the year's funding is as follows :
The Bank granted, in the form of direct loans, an amount of FCFA241 billion, or 92.4% of total commitments. This direct funding made it possible to carry out agricultural projects, put up economic infrastructure, particularly roads, ensure the technical capacity-building of industrial firms as well as the development of services.

Indirect loans (lines of credit, framework refinancing agreements and specialized comprehensive packages), for their part, amount to FCFA10.5 billion, or 4% of the amounts approved for the year. They were used for the refinancing of two national financial institutions, with the aim of assisting the development of SMEs and SMIs in the WAEMU zone.

The Bank's equity participations which amounted to FCFA9.3 billion, or 3.6% of the total annual amount, contributed towards the creation of two specialized vehicles of the regional capital market on the one hand (cf. infra), and on the other hand, the granting of long-term resources to regional or national financial institutions which were already operational.

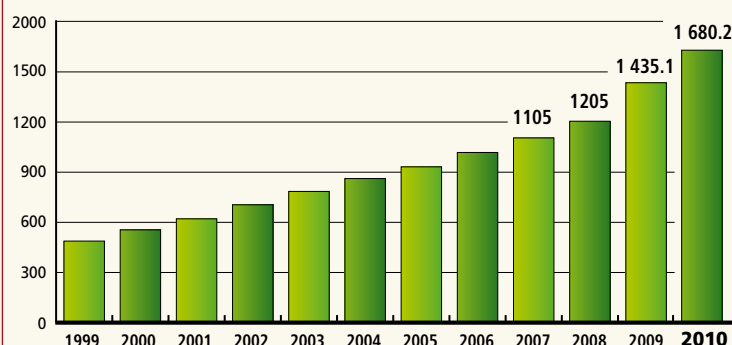
The fresh funds thus granted by the Bank increased its net total commitments to FCFA1,680.2 billion as at 31 December 2010, in respect of 541 projects, excluding the funding from the Energy Development Fund. Taking into account the funding made available from the Energy

**GRAPH 5:
BREAKDOWN OF APPROVALS
PER TYPE OF FUNDING IN 2010**



Source : BOAD

**GRAPH 6: TREND OF BOAD'S TOTAL NET COMMITMENTS
FROM 1999 TO 2010 EXCLUDING FDE (in billion FCFA)**



Development Fund, the total commitments stood at FCFA1,810.2 billion for 547 projects.

Total disbursements for the year amounted to FCFA101.1 billion, compared to FCFA121.1 billion in 2009. As at 31 December 2010, total disbursements were FCFA1,083.1 billion, representing a disbursement rate of 64.5%.

During the year, the Bank granted an amount of FCFA93.5 billion or 35.9% of total funding to regional projects.

A look at the major thrusts of the 2009-2013 Strategic Plan makes it possible to recapitulate the Bank's activities in 2010 as follows:

2.1. ACTIVITIES AIMED AT POSITIONING THE BANK AS A STRATEGIC INSTRUMENT OF THE STATES

2.1.1. FINANCING AGRICULTURE AND FOOD SECURITY

In the field of agricultural development, the Bank financed six (06) projects worth a total of FCFA53 billion in 2010. These projects fall within the framework of the implementation of the special programme drawn up in 2008 to fight against the effects of the food crisis which started during that year.

Of the FCFA53 billion granted by the Bank, FCFA27.5 billion came from resources mobilized through the special programme aimed at borrowing FCFA100 billion, which was authorized by the Council of Ministers. Since its inception, the special agricultural programme has made it possible for the Bank to provide funds amounting to FCFA87.2 billion for the financing of non-commercial projects. In addition to these funds which were BOAD's own funds, an amount of FCFA187 billion was mobilized through co-financing.

The above projects should make it possible to increase food production, particularly through the establishment of irrigation projects and the promotion of rice farming.

Furthermore, in order to counter the effects of climate change on farmers' production capacity and incomes, the Bank commissioned a feasibility study on a crop insurance scheme within the WAEMU. A regional workshop was held in August 2010 at the Bank headquarters

BOX 1:

STUDY ON THE SETTING-UP OF A CROP INSURANCE MECHANISM

The yield of agriculture, which is the pillar of economic activity in the WAEMU Member States, is strongly affected by the vagaries of the climate. All the stakeholders of rural development and agriculture are of the opinion that financial services and mechanisms should be set up to make it possible to ensure better security for economic activities in the fields of agriculture and for the persons who derive their livelihood from agriculture.

Faced with the frequency of food crises and natural calamities (floods, drought,...), BOAD commissioned a feasibility study in 2010 for the setting up of a crop insurance mechanism in the WAEMU zone.

The setting-up of a crop insurance mechanism adapted to the needs of producers and meeting the norms of strict management would make it possible to:

- stabilize producers' incomes;
- increase their purchasing power;
- facilitate access to credit;
- increase yields;
- foster the use of more efficient agricultural techniques;
- stimulate the development of a market-oriented agriculture

and

- contribute towards poverty reduction in the rural areas.

The study is expected to be conducted in two phases. The work in phase 1 concerns:

- identifying the geographical, climatic, agronomic and socio-economic nature of agriculture in the WAEMU zone;
- determining the character of the natural and climatic risks;
- a general description of crop insurance as a climate risk management tool; iv) identification of the problems associated with land;
- coming up with variants of the crop insurance mechanism applicable in the WAEMU States. A regional workshop was held on 11 and 12 August 2010 at the Bank headquarters to validate the findings of the first phase of the study.

The work to be carried out within the framework of Phase II of the feasibility study covers the following aspects :

- gathering and updating climatic and agronomic data in regions and districts;
- detailed description of the two crop insurance mechanisms

suited to the WAEMU States, namely, the index-related insurance based on the historical yields of homogenous production zones and the index-related insurance based on a climatic index;

- a training and information plan meant for farmers and key partners;
- definition of the institutional and financial frameworks for the implementation of the crop insurance scheme;
- identification of pilot crop insurance projects with the National Agricultural Insurance Company of Senegal (CNAAS) and the Mutual Agricultural Insurance Company of Benin (AMAB), and drawing up a plan of action aimed at assisting the other countries in the process of setting up a crop insurance mechanism;
- drawing up terms of reference for the recruitment of a consulting firm to support the Bank in evaluating crop insurance projects, training and sensitizing stakeholders, updating agricultural and climatic data, consultations with technical and financial partners, etc.;
- holding a workshop to validate the results of the second phase of the study.

The Board of Directors of the Bank approved in September 2010 a proposal for the financing of an amount of FCFA **3.8 billion** for the construction of a **biogas recuperation and flaring unit**

in Lomé to validate the interim report on the first phase of the study. Provision has been made for a second phase of the study. The relevant report should be available during the first half of 2011. The proposals concerning the setting up of the crop insurance mechanism are expected to be submitted to BOAD's decision-making bodies in 2011.

2.1.2. ENVIRONMENTAL ACTIVITIES

In matters relating to the environment, the Bank continued its assistance to the States with a view to ensuring that in drawing up projects, the environmental and social components are given better attention.

Within the framework of carbon financing, the Bank has pledged to finance projects eligible under the clean development mechanism which emanated from the Kyoto Protocol on Climate Change. Subject to the implementation of projects leading to a reduction in greenhouse gas emissions, projects of this type could enable their promoters to sell « certified emission reduction units » on the international market.

The Board of Directors of the Bank approved in September 2010 a proposal for the financing of an amount of FCFA 3.8 billion for the construction of a biogas recuperation and flaring unit at the Akouédo refuse dump in Côte d'Ivoire. This first CDM project

BOX 2:

CDM PROJECT CONCERNING THE AKOUÉDO REFUSE DUMP IN ABIDJAN

The proposed construction of a biogas recuperation and flaring unit at the Akouédo refuse dump in Abidjan in Côte d'Ivoire is the Bank's first intervention in the field of promotion and financing of projects eligible for the Clean Development Mechanism (CDM), since the implementation of the carbon initiative started in August 2008.

The Akouédo refuse dump which is located in the Akouédo village, is the only refuse dump in the Abidjan district. This refuse dump which was commissioned since 1965, receives all kinds of refuse, both solid and liquid. The quantities of refuse dumped as

at 2009 amounted to 1,163,108 metric tons, projected to attain 1,727,633 tons by 2017. Quite often, the refuse comprises dangerous materials, mainly from industrial units (ordinary and electrochemical batteries) and hospitals (used syringes). The refuse includes dangerous toxic substances likely to adversely affect humans as well as the environment.

The Akouédo project which is being promoted by the ADERCI company, falls within the framework of the Strategic Plan for the Development of Akouédo, which will make it possible not only to reduce methane

emissions, but also to improve socio-economic and health conditions and safety of people in the vicinity. Furthermore, it will provide Abidjan with a refuse dump with reduced negative environmental impacts.

This CDM project whose income will be derived essentially from the sale of carbon credits, will make it possible to reduce greenhouse gas emissions by 376 869 tons equivalent of carbon dioxide (tCO₂eq) annually on average, or 2 638 086 tons of CO₂ (tCO₂eq) during the first accounting period of 7 years.

financed by the Bank had been validated in July 2010 by the Germanischer Lloyd Certification GmbH, a designated operational entity approved by the United Nations Framework Convention on Climate Change.

2.1.3. NON COMMERCIAL INFRASTRUCTURE

The Bank continued its action in the field of non commercial infrastructure, particularly basic or modern infrastructure. In the area of road infrastructure, the Bank granted loans amounting to a total of FCFA74.7

BOX 3:

WATER AND SANITATION STRATEGY

In the WAEMU zone, thirty-two (32) million people (roughly 36% of the population) do not have access to healthy drinking water and sixty-seven (67) million people (roughly 76% of the population) do not have access to basic sanitation services.

In this context, the Board of Directors of the Bank adopted a strategy for the Institution's intervention in the drinking water supply and sanitation sectors in the countries of the Union. The implementation of this strategy will make it possible for the Bank to give more assistance to the Member States and development partners in their efforts, while contributing, in the said sectors, towards the attainment of the Millennium Development Goals.

The strategy adopted focuses on the following priority objectives:

- improving the Bank's contribution and its conditions of intervention in the drinking water and sanitation sectors in the rural and urban areas ;
- supporting the initiatives of

the States and the private sector in the purification of waste waters and solid waste management;

- giving priority to projects which are in conformity with national water policies, based on integrated water resource management; (iv) set up within BOAD a fund dedicated to drinking water and sanitation.

The priority areas of the strategy include structuring investments in the field of water supply and sanitation in grassroots communities, and are broken down into the following areas of application :

■ drinking water supply and sanitation infrastructure in the rural and urban areas, including domestic, agricultural and industrial waste water purification stations and solid waste management;

■ financing of private investments in the drinking water supply and sanitation sectors: water supply or domestic and industrial used water purification plant and equipment manufacturing and/or assembly

companies, promoters of innovative waste water and solid waste purification systems;

■ improvement of the village water supply management environment, basic sanitation and solid waste management (grants to households and microcredit to associations and the handicrafts sectors).

In order to make the strategy operational, provision has been made for commitments ranging from FCFA25 to 50 billion yearly for the financing of drinking water supply and sanitation projects over the 2010-2013 period. These potential commitments of the Bank would make it possible to provide over the period 4 to 8 million people with drinking water and 3 to 6 million people with basic sanitation within the WAEMU zone.

Given the magnitude of the resources to be mobilized, especially for the financing of sanitation projects, and in particular, waste water purification projects, BOAD will opt for co-financing with other donors.

BOAD financed
thirty-three projects
 worth a total of FCFA
179 billion
 thus making
 it possible to
 construct a total of
2,631 km
 of roads

billion during the financial year as its contribution towards the execution of nine (09) projects. The projects include the construction of tarred roads in order to improve the movement of goods and persons within the Union. The projects fall within the scope of the implementation of community investment programmes.

With regard to the implementation of the Regional Economic Programme (PER), BOAD financed thirty-three (33) projects worth a total of FCFA179 billion, thus making it possible to construct a total of 2,631 km of roads. The Bank also financed five project preparation studies involving an amount of FCFA1,981 million. Requests for funding totaling FCFA46 billion are being actively processed.

In the field of sanitation, the Bank granted an amount of FCFA7.5 billion for the rehabilitation and drainage works on urban streets in the lagoon zone of Lomé and the cleaning out of a lake.

In order to make more contributions towards the attainment of the Millennium Development Goals, the Bank drew up a new strategy for intervention in the drinking water and sanitation sectors and had it adopted by the Board of Directors. Steps are being taken to mobilize significant financial resources from development partners in order to attain the set operational objectives.

2.1.4. ASSISTANCE TO THE STATES

In 200, the Bank continued to provide Member States and their institutions with technical assistance. In this regard, various forms of support worth a minimum of FCFA64 million were given by the Bank, especially in organizing fora or managing the consequences of natural disasters.

Likewise, on the occasion of the celebration of the fiftieth anniversary of the independence of some Member States, the Bank organized on 15-16 June 2010 an international forum on the theme "Sustainable development and major structuring projects : Evaluation of achievements, new challenges to be taken up". This event which brought together representatives of States, regional institutions, universities and research centres as well as representatives of professional organizations and the private sector, provided an opportunity for an enriching exchange of views on the issue of development in the WAEMU countries.

BOX 3:

BOAD FORUM FOR THE FIFTIETH YEAR ANNIVERSARY

Within the framework of the commemoration of the fiftieth year of independence of seven of the eight WAEMU Member States, BOAD organized at its headquarters in Lomé on 15-16 June 2010 a forum on the theme "Sustainable development and major structuring projects: Evaluation of achievements and new challenges to be taken up".

This forum was attended by various resource persons, both from WAEMU and foreign countries. It was also attended by representatives of States of the Union, university lecturers, and leaders of private companies or professional organizations.

The discussions held on that occasion were organized in four sessions and eight themes, as follows:

SESSION N°1 : DEVELOPMENT OF AFRICA : SHARING EXPERIENCES AND REFLECTIONS FOR ITS EMERGENCE (ENERGY, AGRICULTURE, REGIONAL INDUSTRIALIZATION)

THEME 1: Reflections on the issue of Africa's development

THEME 2: On the road to success: some examples of successful project financing within the WAEMU zone

SESSION N°2: FINANCING OF MAJOR PROJECTS : AN INEVITABLE STRATEGY FOR AFRICA'S DEVELOPMENT

THEME 3: Conceptualizing and promoting major regional structuring projects of mutual interest in West Africa



THEME 4: Innovative approach to rural electrification: the case of Benin

SESSION N°3: CHALLENGES OF ENVIRONMENTAL ISSUES AND SUSTAINABLE DEVELOPMENT OF AFRICA

THEME 5: Environmental conservation: strategies, promotion and financing of projects for adaptation to climate change

THEME 6: Promotion and financing of projects eligible under the Clean Development Mechanism

SESSION N°4: IMPORTANCE OF EDUCATION AND TRAINING AND OTHER IMPERATIVES FOR THE EMERGENCE OF AFRICA

THEME 7: Social, economic, political and ecological imperatives for the emergence of Africa

THEME 8: What human resources to ensure the emergence of Africa ?

A summary report and the major papers presented during the event are available on BOAD's website.

Important proposals or recommendations were made during the forum. They were intended either for BOAD, other WAEMU institutions or Member States, the private sector or civil society, the objective being to be better able to address the numerous and important challenges being encountered by the Member States of the Union. The recommendations concerning agriculture, energy, environmental protection, promotion of projects eligible under the Clean Development Mechanism, promotion of major structuring projects, the issue of youth employment, training and human resource development.

BOAD for its part, has initiated reflections and efforts aimed at implementing the recommendations concerning issues lying within its purview.

2.2. PARTNERSHIP WITH FIRMS AND INNOVATIVE FINANCING

In 2010, the Bank granted an additional loan of FCFA **5.4 billion** for the rehabilitation of the infrastructure and equipment of the **Lomé Port Authority**

2.2.1. COMMERCIAL INFRASTRUCTURE

In the area of commercial infrastructure, the Bank granted funding in an amount of FCFA63.5 billion for seven projects, representing 24.4% of its annual approvals. The funds concerned were channeled towards the electricity, road infrastructure, harbour infrastructure and telecommunications sectors.

■ Electricity

BOAD continued its action in the field of electrical energy, which is a highly strategic sector for the Union. Apart from the interventions made under the Energy Development Fund, the Bank granted funds in an amount of FCFA35 billion for three (3) projects. The funding was in respect of the projects to enhance the capacities of the Bobo II and KOMSILGA power stations in Burkina Faso and supply electrical power to Gouraye and Selibaby in Mauritania and Bakel in Senegal. The projects promoted will make it possible to enhance generation capacity, transmission and distribution of electricity in the concerned Member States of the Union.

Under the Energy Development Fund and within the framework of the Regional Initiative for Sustainable Energy (RISE), assistance amounting to FCFA130 billion was granted for six (6) projects by the decision-making bodies of the Energy Development Fund. Like the direct assistance from BOAD, the financing from the Energy Development Fund is aimed mainly at meeting the electrical energy needs of the Union through actions directed towards increased generation and transmission capacities as well as the distribution of electricity.

■ Harbour infrastructure

In the field of infrastructure, the development of the harbours of the Union has always been an important area of intervention for the Bank. Thus, in 2010, the Bank granted an additional loan of FCFA5.4 billion for the rehabilitation of the infrastructure and equipment of the Lomé Port Authority. This loan will make it possible to rehabilitate and consolidate harbor infrastructure, construct a 40,000 m² parking lot, rehabilitate and consolidate drinking water supply facilities and rehabilitate electrical facilities.

■ Road infrastructure

In pursuance of its determination to promote private financing of infrastructure within the Union, the Bank granted an amount of FCFA15 billion for the financing of a private project for the construction and operating of a toll motorway. The project is the extension, construction and operating of the Dakar-Diamniadio toll motorway in Senegal.

In 2010, the BOAD granted to the **agribusiness industries** a total amount of FCFA **21.5 billion** shared among four projects

■ Telecommunications

An amount of FCFA8.15 billion has been committed towards two (2) private investment projects designed to widen the coverage of the mobile telephony network and improve service quality. The projects concerned are the extension of the high performance internet access network of the ISOCEL Telecom company in Benin (FCFA1 billion) and the extension of the mobile telephony network of the TELECEL Faso company (FCFA7.15 billion).

2.2.2. OTHER PRODUCTIVE ACTIVITIES

The development of the Union's private sector remains at the centre of the Bank's priorities. Thus, in 2010, the institution consolidated its contribution to the emergence of this sector, mainly in the field of productive activities. The Bank granted direct loans in a total amount of FCFA38.5 billion, or 14.7% of approvals for the financial year for eight (8) projects. The projects were in the fields of the agribusiness industry (FCFA21.5 billion), the other industries (FCFA5 billion), the hotel industry (FCFA7 billion) and land transport (FCFA5 billion).

■ Agribusiness industries

In 2010, BOAD increased its financing in the agribusiness industries ; in this sector, it granted a total amount of FCFA21.5 billion, shared among four (4) projects. The assistance provided will support the execution of agribusiness projects and increase the production capacity of the recipient companies. Specifically, the projects concerned are three sugar factory projects and a vegetable oil factory project, namely:

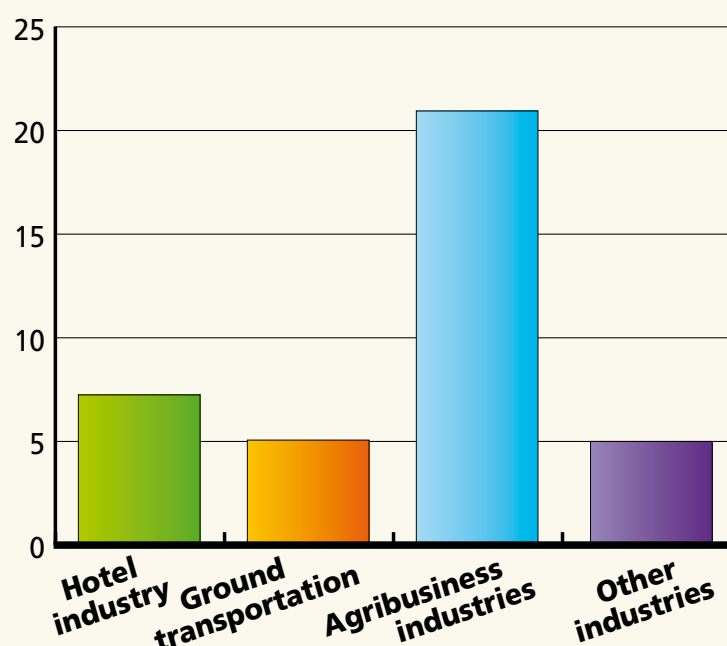
- the SN-SOSUCO production capacity-building project in Burkina Faso, in an amount of FCFA2.5 billion;
- the SUCRIVOIRE rehabilitation and modernization project in Côte d'Ivoire, in an amount of FCFA7 billion;
- the Markala sugar factory construction project by SOSUMAR Ltd. in Mali, in an amount of FCFA7.5 billion and
- the palm oil production complex project by DEKEL OIL CI Ltd. in Côte d'Ivoire, in an amount of FCFA4.5 billion.

In order to improve upon its knowledge of the agribusiness sector and be capable of better promoting this sector, BOAD is planning to conduct a sectoral study in 2011 on the development of agribusiness industries within the WAEMU.

■ Other industries

Apart from agribusiness industries, the Bank financed, in an amount of FCFA5 billion, the setting-up of a marble quarrying and processing project promoted by POMAR Togo. The purpose of the project is to meet the needs of a growing national, sub-regional and international marble market, taking into account the existence of significant reserves of marble in Togo.

GRAPH 7: BREAKDOWN OF APPROVALS OF FUNDING FOR OTHER PRODUCTIVE ACTIVITIES IN 2010 (FCFA billions)



Source : BOAD

Furthermore, given the requests received for the financing of new cement production units in countries of the Union and taking into consideration its past interventions in the sector, as well as the need for planning at regional level, the Bank conducted a study in 2010 on the cement industry in the WAEMU zone plus Nigeria and Ghana. The findings of this sectoral study are included in the thematic appendix of this edition of the Bank's Annual Report (see the 2nd part of this document).

■ The Hotel industry

The Bank, which is still active in this sector, granted funding in an amount of FCFA7 billion for the Saraba Village Club creation project at Mbour in Senegal. The project will make it possible to increase the town's hotel capacity.

As in the case of the cement industry, BOAD commissioned in 2010 a sectoral study on the hotel sector in the WAEMU zone. The findings of this on-going study will enable the Bank to better target its future interventions in this sector.

■ Land transport

The Bank's action in this sub-sector of transport concerned the support for a project by the STTB company involving the creation and operating of a computerized centre for the management of heavy-duty lorries in the Cotonou harbour in Benin. The amount of the loan is FCFA5 billion. The project will contribute towards management capacity-building in the transport sector in Benin, with a view to achieving better performances.

2.2.3. LINES OF CREDIT AND PROMOTION OF SMES/SMIS

In order to make available to national financial institutions of countries of the Union resources adapted to the financing of SMEs and SMIs, BOAD granted three (3) credit lines. These credit lines in a total amount of FCFA10.5 billion, were granted to SONIBANK (Niger), CORIS BANK International (Burkina) and KAFO JIGINEW (Mali).

The credit line granted to KAFO JIGINEW is in respect of a project eligible under the Special Regional Programme for the Improvement of the Supply of Food Products within the WAEMU.

2.2.4. EQUITY PARTICIPATION

The Bank contributed towards the enhancement of both shareholders' equity and shareholding of a number of private companies operating in various fields. Such participation which amounted to a total of FCFA9.25 billion, concerned national financial institutions, the recently created Regional Fund for Mortgage Refinancing and the first WAEMU regional securitization company. At least two of these operations fall within the framework of the strengthening of the regional financial sector.

- **Atlantic Financial Group (AFG):** BOAD's equity investment in the capital increase of the Atlantic Financial Group in an amount of FCFA6 billion is in line with the strengthening of the financial base of that group, as reflected in successive capital increases in 2007, 2008 and 2010. This operation will enable the group to comply with the Union's new prudential provisions, particularly as regards the minimum capital of FCFA5 billion for the subsidiaries in 2010; the Bank will therefore provide the said subsidiaries with fresh resources for the development of their activities and the consolidation of their position on the market.
- **Financial Bank Togo:** BOAD took equity investment in this Bank in an amount of FCFA2 billion, in anticipation of an increase of

BOX 5:

BOAD'S EQUITY INVESTMENT STRATEGY

In keeping with its mission and in pursuance of its private sector promotion and financing strategy, BOAD intervened in all the States of the Union in the form of equity investment in several companies. The interventions concerned firms in the financial sector (banks, financial institutions) and firms in the non-financial sector (energy, hotel industry, air transport, etc.).

The 2009-2013 Strategic Plan (SP) re-affirmed the relevance of interventions in the form of equity participation by laying more emphasis on financial profitability in order to increase the Bank's resources. As at 31/12/2010, the total amount of the Bank's equity investment since the commencement of its operational activities in 1976 stood at FCFA52.612 M, involving 43 companies.

The important changes which occurred in the sub-regional economic environment and the new challenges facing the development of the WAEMU countries justified the updating of the Bank's equity investment strategy. These changes and challenges are in essence:

- changes in economic policy, with ever-increasing financing needs, particularly in the field of infrastructure;
- strengthening and consolidating of the financial market through the promotion of new instruments;
- development of, and demand for, a banking system requiring more significant equity capital for banks;
- adoption of IFRS standards by BOAD with effect from 2010, which will result in a financial

impact of equity investment on the Bank's shareholders' equity.

The new strategy will focus on the following points :

OBJECTIVES: BOAD will fulfill its development finance mission while laying more emphasis on the notion of financial profitability, in conformity with the directions of its 2009-2013 Strategic Plan.

SECTORS OF INTERVENTION: the Bank will take up equity investment in all the sectors eligible for its financing activity, in conformity with its Articles of Association and Policy Statement.

MODALITIES OF INTERVENTION: while entering into a transaction, the Bank should have enough

the authorized capital of Financial BC, the holding company of the Financial Bank Group, from FCFA5 billion to FCFA30 billion. The operation falls within the framework of the broadening of the financial base of the group and BOAD's equity participation is in line with its objective of contributing towards the emergence of a banking group with sub-regional regional impact, covering the West and Central Africa regions.

- **WAEMU Regional Fund for Mortgage Refinancing (CRRH):** within the framework of the development of a regional mortgage market, BCEAO, BOAD and CREPMF established a Regional Fund for Mortgage Refinancing in order to contribute towards solving certain structural problems identified within the Union in the area of housing financing and refinancing of mortgage credits. In this regard, BOAD intervened in an amount FCFA750 million for the consolidation of the authorized capital of the Fund which was fixed at FCFA3.426 billion.

- **BOAD - Titrisation :** the promotion of this structure is in line with the efforts aimed at making operational the instruments envisaged as part of the WAEMU regional mortgage market project which is being promoted by BOAD, BCEAO and CREPMF. BOAD thus created this financial service company and fully holds its capital which amounts to FCFA500 million.

visibility concerning the terms and conditions of exiting at the appropriate moment.

LIMITS OF INTERVENTION: the limits to intervention are as follows:

INTERVENTIONS IN RELATION TO THE BANK'S ACTUAL SHAREHOLDERS' EQUITY

- limitation to five percent (5%) of actual shareholders' equity per transaction (transactions other than projects relating to privatization, national financial institutions, regional projects and mining and energy sector projects);
- ceiling of ten percent (10%) of actual shareholders' equity per transaction in the case of national financial institutions,

privatization projects, regional projects and mining and energy sector projects

The total volume of the Bank's interventions in the form of equity investment is limited to fifty percent (50%) of its shareholders' equity.

INTERVENTIONS IN RELATION TO THE AUTHORIZED CAPITAL OF THE COMPANIES CONCERNED

- in the case of entities in which BOAD plays the role of main promoter, the capital can be held fully (100%) by the Bank for some time ; the Bank should however aim at the objective of reducing this level to 51% within a reasonable period;
- in other cases, the level of participation in firms will be limited

to 25% of the authorized capital of the firms concerned.

POSITIONING IN ADMINISTRATIVE BODIES: BOAD could set as a condition for its equity investment, the granting to it of a seat of member of an administrative body of the entity concerned (Board of Directors, Supervisory Board, Credit or Investment Committee, etc.).

In the case of strategic equity investment, the Bank will request a seat of member of an administrative body of the entity concerned, without prejudice to compliance with the conditions of access to the post.

The above operations fall within the framework of the execution of BOAD's 2009-2013 Strategic Plan. They also form part of the activities relating to the promotion of the private sector and the strategic area of financial sector promotion as well as the continuation of the BOAD's structuring actions in favour of the development of the WAEMU's financial sector.

2.2.5. GUARANTEE, FINANCING ARRANGEMENT AND ADVISORY ACTIVITIES

In the course of 2010, BOAD guaranteed a debenture loan transaction in an amount of FCFA15 billion. The purpose of this transaction which was in favour of the Abidjan Port Authority was to partly guarantee a debenture loan through a call for public capital for the financing of the upgrading of the infrastructure in the harbour of this capital city.

Furthermore, conscious of the need to promote the granting of guarantees with a view to enhancing the financing of firms in the WAEMU zone by banks, BOAD and the French Development Agency (AFD) commissioned a study, which is now being finalized, the objective of which is to come up with ideas on the way of improving the overall efficiency of the guarantee institutions and guarantee tools operating within the WAEMU. The study should therefore do an analysis to find out whether the available tools are suitable, given the fact that there is need to reduce the risks run by the banks, including within the framework of financing transactions involving small and medium-scale enterprises.

To ensure better assistance to the private sector, the Bank came up with a new short-term financing product. The first of such transactions was approved by the Board of Directors in June 2010; it involved a credit facility amounting to FCFA23 billion for Société Africaine de Raffinage (SAR), an oil-refining company in Senegal.

In the area of financing arrangements, the Bank facilitated the mobilization by various firms within the Union of an amount of FCFA103.4 billion for investment purposes.

2.3. PROMOTION OF PARTNERSHIPS AND POPULARIZING OF FINANCIAL MARKET STRUCTURES AND INSTRUMENTS

2.3.1. REGIONAL FINANCIAL MARKET DÉVELOPMENT PROJECT

The WAEMU Capital Market Development Project (PDMF/WAEMU) is a concrete example of partnership between the WAEMU institutions (BOAD, BCEAO, WAEMU Commission and CREPMF) and development partners (International Development Association, French Development Agency-AFD, Canadian International Development Agency). The execution of the project continued in 2010, with the prospect of possibly completing it by the end of September 2011. Since the project

The WAEMU Capital Market Development Project (*PDMF/WAEMU*) is a concrete example of partnership between the WAEMU institutions (*BOAD, BCEAO, WAEMU Commission and CREPMF*) and development partners (*International Development Association, French Development Agency-AFD, Canadian International Development Agency*).

was restructured in 2008, its activities are mainly geared towards the “technical assistance and institutional support” component, on the one hand, and the “infrastructural line of credit” component on the other hand.

The findings of the mid-term review of the project which was carried out in December 2010 indicated that the actions and reforms initiated will have a positive impact on the regional capital market. Likewise, the infrastructural projects financed with the resources of the credit line will contribute towards promoting economic integration in the WAEMU zone.

2.3.2. PROMOTION OF THE REGIONAL MORTGAGE MARKET

In connection with the strengthening of the regional financial market, the Council of Ministers adopted in March 2010 the regulatory texts concerning the mortgage market and securitization activities within the Union. In order to set up the structures of the mortgage market, BOAD, in conjunction with local banks, created the “Regional Fund for Mortgage Refinancing”, which aims at supporting the financing of real estate, particularly housing, within the Union. BOAD also initiated the creation of a company called BOAD TITRISATION (BOAD SECURITIZATION) for the management of securitization vehicles. The Bank is working hard to promote the operations of these two instruments.

2.3.3. OTHER AREAS OF PARTNERSHIP

Together with the French Development Agency (AFD), BOAD laid the foundations for a strategic partnership, one of the manifestations of which is the organization of an annual bilateral meeting in order to exchange views on development issues of common interest. These annual working meetings involve both the technical services as well as the top executives of the two institutions. Since the second round was held at BOAD headquarters (on 19 and 20 January 2010), the third one was held in Paris, at AFD headquarters on 17 March 2010.

BOAD also emphasizes the development of co-financing with its partners in order to drain resources towards the Union, share project risks and exchange experiences. It equally seeks partnerships which will enable it to intervene as an executing agency for technical and financial partners operating in sectors as diverse as agriculture (IFAD, IsDB) and basic infrastructure (World Bank, ADB and IsDB). This type of partnership is also sought for private projects. In order to encourage such effects of synergy, the Bank has made efforts to reactivate or enter into cooperation agreements with foreign partners like IsDB, FAO, IFC or the Centre for Development (CDE) of the European Union.

A new partnership framework with institutional investors is also being sought, with a view to mobilizing more savings within the WAEMU, in order to enhance the financing of regional development.

BOX 6:

REGIONAL FUND FOR MORTGAGE REFINANCING

BCEAO, BOAD and CREPMF have been making efforts since May 2005 to jointly promote a mortgage market and securitization activities within the WAEMU, mainly in order to contribute towards solving the structural problems identified in real estate financing and refinancing of mortgaged loans within the Union.

The proposals of the task force set up for the purpose, the various studies conducted and the workshops organized in order to validate the various proposals, made it possible to opt for a WAEMU mortgage market with an open structure, where a regional fund for mortgage refinancing will exist side by side with the practice of securitization as well as the practice of issuing guaranteed bonds.

The advisability of a regional fund for mortgage refinancing was decided, both at the close of a seminar on the financing of housing in West Africa organized in February 2005 in Bamako by the World Bank as well as by two separate studies financed by BOAD. The first of the studies mentioned concerned the potential of the mortgage market and securitization, while the second concerned itself with the type of structure which would be desirable for a mortgage market belonging to the WAEMU. The findings of both studies were validated at a workshop held for the purpose, in Lomé on 9 and 10 July 2009. At the end of that workshop, participants, mortgaged loan specialists, representatives of national administrations, lawyers and notaries public operating within the Union recommended the setting up of a regional fund



for mortgage refinancing as a matter of urgency.

After several years of work, the official launching of the Regional Fund for Mortgage Refinancing (CRRH) was held on 16 July 2010 in Cotonou. The institution is endowed with a capital of FCFA3,426,000,000, fully subscribed and paid up. CRRH is a financial institution dedicated to the refinancing of housing loans granted by banks within the WAEMU zone, which banks are expected to be shareholders of the Regional Fund for Mortgage Refinancing. To this end, CRRH will mobilize resources from the financial market in the form of debenture loans.

Any bank within the Union which fulfils the following conditions can become a shareholder of CRRH:

- having been established within the WAEMU and operating for at least three years;
- satisfying all the conditions of the BCEAO Banking Commission, particularly compliance with minimum capital requirements;
- presenting financial statements for the previous year audited by a firm of chartered accountants approved by the Banking Commission;
- showing proof of a mortgage loan granting system deemed satisfactory by CRRH;

Currently, the shareholding of

CRRH comprises several banks and financial institutions within the Union.

The Fund's loans to shareholder banks will be guaranteed by housing loan portfolios held by each refinanced bank.

Housing loans eligible for refinancing by the CRRH will have the following characteristics:

- having a notarized first mortgage on land title deed;
- having a life, invalidity and fire insurance;
- the purchaser's own contribution must be at least 10%;
- be within the 33% (50% in some countries) at most, unprotected portion of the purchaser's income;
- the mortgage must represent 120% of the amount of the loan and be covered by an expert's report commissioned by the Bank;
- the debt should correspond to a fully mobilized fixed-interest loan.

It has been proved, particularly by the above-mentioned studies, that the potential of the real estate market in the WAEMU zone remains largely untapped. The Regional Fund for Mortgage Refinancing will be responsible for mobilizing the resources available on the market and placing them at the disposal of the banks which are its shareholders. It will thus facilitate access to housing loans for people in the WAEMU zone.

BOAD, which is the leading shareholder of the Fund, will provide suitable assistance to the latter during the first two years in order to facilitate the commencement of its activities under optimum conditions.

2.4. COOPERATION AND RESOURCE MOBILIZATION ACTIVITIES

The Bank obtained
in June 2010 a
50% increase
in authorized capital
from FCFA700 billion
to FCFA1,050 billion.

2.4.1. COOPERATION ACTIVITIES

Within the framework of the strengthening and extension of its relations with partners, the Bank in 2010 signed or updated cooperation agreements with FAO, IsDB, CDE, CAEDB, CILSS, the National Bank for Economic and Social Development of Brazil (BNDS), etc. These measures have made it possible to ensure that in its partnership relationships, the Bank's new strategic orientations are increasingly being taken into consideration.

Various information and sensitization missions have also been undertaken, particularly to China, India and Japan.

2.4.2. RESOURCE MOBILISATION

Thanks to the support of its shareholders, the Bank obtained in June 2010 a 50% increase in authorized capital from FCFA700 billion to FCFA1,050 billion.

With the same objective of enhancing its capacity for funding Member States, the Bank pursued its resource mobilization activities from its bilateral and multilateral partners and on the regional capital market.

In the course of 2010, the Bank mobilized resources amounting to FCFA152.8 billion, including FCFA38 billion from the regional financial market and FCFA 114.8 billion (175 million euros) from its partners.

With its external partners, the Bank obtained or is in the process of finalizing negotiations in respect of the following funds:

- a line of credit in an amount of 20 million euros (FCFA13.12 billion), negotiated with the OPEC Fund and meant for the financing of investment projects;
- a grant in an amount of 10.662 million euros (FCFA7 billion) from KFW ; this facility is to be used to enhance the Bank's interest rate subsidy fund and is meant exclusively for increasing the level of BOAD's financial commitments in favour of adaptation to climate change in the Sahelian countries;
- a line of credit from the European Investment Bank (EIB) in an amount of 60 million euros (FCFA39.357 billion), comprising a tranche of 30 million euros at commercial rates and a second tranche of the same amount at concessional rates;

Within the framework of the development of the WAEMU financial market, **the infrastructural line of credit component, in an amount of 61.9 million SDRs (US\$89 million) has reached the disbursement phase**

- a line of credit in an amount of 25 million euros (FCFA16.4 billion) from the Austrian Development Bank (OeEB);
- the proposed granting of a line of credit in an amount of 60 million euros (FCFA39.357 billion) from China Development Bank ;
- the proposed granting of a line of credit in an amount of 30 million euros (FCFA19.68 billion) by the French Development Agency (AFD).

Other discussions are being held with other traditional partners in order to obtain further assistance. This has been the case particularly with the AfDB which has already carried out an appraisal mission within this framework. Prospecting is in progress in order to find new partners, so as to broaden the Bank's donor or shareholder base.

Within the framework of the development of the WAEMU financial market, the infrastructural line of credit component, in an amount of 61.9 million SDRs (US\$89 million) has reached the disbursement phase. As at the end of December 2010, the drawdown on this credit line amounted to US\$40 million.

In order to mobilize more concessional resources from its development partners, BOAD commissioned in the course of the year, a feasibility study on a BOAD concessional fund similar to that of IDA or to ADF. The purpose of the study is to assess the possibility and advisability of setting up an institutional system similar to that of IDA or to ADF for the mobilization of concessional resources and the financing of public projects. The recommendations of this on-going study will be submitted to BOAD's decision-making bodies at the appropriate time.

Furthermore, in order to access the resources of the international financial market, BOAD is preparing itself for rating by a rating agency. The issue of rating is in line with the prospect of mobilizing additional resources on the international market to complement the resources of the regional capital market. However, even at the regional level, with the new regulations which are being adopted, the non-sovereign issuers on the financial market will be increasingly compelled to comply with the demands of rating. In addition, in conformity with international banking regulations (Basle II), the banking supervisory authorities will use the ratings as a risk weighting factor in calculating the debt ratios of primary banks which form the major category of banks which subscribe to the securities issued by BOAD.

If successful, the steps being taken to ensure that the Bank is rated should also foster the development of its business relations with foreign partners, with a view to mobilizing bilateral lines of credit or grants. As a sign of good governance, being rated should also help BOAD to seek new shareholders.

It is envisaged that when the conditions required for a good appreciation of the Bank's signature are fulfilled, a request for rating could be submitted to rating agencies in the course of 2011. Apart from the efforts BOAD will make to improve its risk profile, the quality of the environment in which it is operating will have a great impact on the level of rating to which it can aspire.

2.5. ALIGNING THE ORGANISATION, FUNCTIONING AND METHOD OF GOVERNANCE

The aim is to enhance **budgetary effectiveness** by placing budget management within the general process of **result-oriented management**, while **increasing the responsibilities** of the Bank's organizational units.

2.5.1. MODERNIZATION OF TEXTS

In 2010, proposals were made concerning the updating of sectoral strategies in respect of the Bank's rules of intervention in the area of equity investment in companies and the principles and norms of intervention in the drinking water and sanitation sectors.

In the case of equity investment strategy, account should be taken of both the significant changes which have occurred in BOAD's environment and within BOAD itself on the one hand, and the practices adopted by other institutions on the other hand. With regard to the strategy in respect of drinking water and sanitation, the purpose was to put BOAD in a position to make a better contribution in this field towards the realization of the Millennium Development Goals.

2.5.2. MODERNIZATION OF THE BANK'S PROCEDURES

■ Adoption of the programme budgeting approach

At its session held in June 2010, the Board of Directors of the Bank approved a new budgetary approach, namely, the programme budgeting approach. The aim is to enhance budgetary effectiveness by placing budget management within the general process of result-oriented management, while increasing the responsibilities of the Bank's organizational units. Compared to the budgetary system which has been prevailing so far, the major areas of improvement are threefold: i) adoption of a budgetary configuration which emphasizes the results expected from the budgetary resources being requested; ii) ensuring a better correlation between the budget, the programmes of activity and the plans of action; iii) exercising a more effective budgetary control, based on performance control.

The Bank's budget is thus expected to increasingly become : i) the expression, in financial and accounting terms, of the plans of action drawn up in order to implement the strategy ; ii) an instrument for the short-term running of the Bank, and, finally, iii) an allocation of objectives and resources, based on a plan of action. The actual implementation of the new approach will start at the beginning of 2011.

■ Change to international accounting standards IAS/IFRS

In anticipation of a better access to external resources, particularly those of the international financial market, the financial statements of the Bank should be in conformity with the models which comply with international standards. At its session held in September 2010,

The completion of the headquarters extension works has **increased the accommodation capacity** of the Bank which now has an additional **150 new offices**

the Board of Directors of the Bank approved the change of the Bank's accounting system to the international accounting standards and international financial reporting standards with effect from the 2011 financial year.

2.5.3. INFORMATION SYSTEM

In 2010, the major actions taken in this area concerned the modernization of the Bank's management tools and the establishment of a plan for the continuing of activities.

The Bank provided itself with an information technology master plan for the next three years (2011-2013). It also reorganized its website and officialized the mail as its working tool.

2.5.4. INSTITUTIONAL COMMUNICATION AND KNOWLEDGE MANAGEMENT

The year 2010 was marked by actions aimed at enhancing the Bank's reputation, external visibility as well as providing tools for the optimization of information management and knowledge sharing within the Bank.

The Bank's institutional communication strategy has been drawn up; actions and communication opportunities have been identified and included in an annual plan of action.

In the area of knowledge management and within the framework of the modernization its documentary information tools, the Bank installed an information management software package. It also enriched the content of the documentation, equipped the documentation centre and initiated the process of computerizing the content of the archives.

2.5.5. MANAGEMENT OF ASSETS AND THE WORKING ENVIRONMENT

The consolidation of the technical facilities of the headquarters, which was initiated a number of years earlier was pursued, with the installation of modern equipment which guarantees a safe and congenial working environment.

Also, the completion of the headquarters extension works has increased the accommodation capacity of the Bank which now has an additional 150 new offices. Part of the organizational units of the Bank moved into this new building since the beginning of August 2010. Renovation works have also been carried out in the old building.

2.5.6. HUMAN RESOURCE MANAGEMENT

In the course of the 2010 financial year, BOAD pursued the actions undertaken within the framework of the modernization of its human

resource management, particularly ensuring that the mechanism for determining objectives and evaluating performances became operational, drawing up a provisional jobs and skills management plan, finalizing and internalizing the study on the measurement of work volume, implementing a social activity plan and commencing the application of the recommendations emanating from a salary survey.

In order to support all the other processes in the area of improved human resource quality, individual and collective training activities were organized with a view to enhancing staff skills. The systematic approach adopted by the Bank is aimed at ensuring that there are adequate means, in order to have the jobs and skills required for the functioning of the Bank.

As at 31 December 2010, the Bank had a staff complement (operational staff: 1, staff on secondment: 2, and on leave of absence: 3) of 250 persons, including 249 employees and 1 Technical Assistant.

TABLE 3 : STAFF COMPLEMENT OF BOAD FROM 2008 TO 2010

| | Staff as at 31.12.2008 | Staff as at 31.12.2009 | Staff as at 31.12.2010 |
|---------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| PROFESSIONAL STAFF | 104 | 107 | 117 |
| SUPPORT STAFF | 134 | 133 | 132 |
| TECHNICAL ASSISTANT | 1 | 1 | 1 |
| TOTAL | 239 | 241 | 250 |

Source : BOAD

2.5.7. FINANCIAL MANAGEMENT

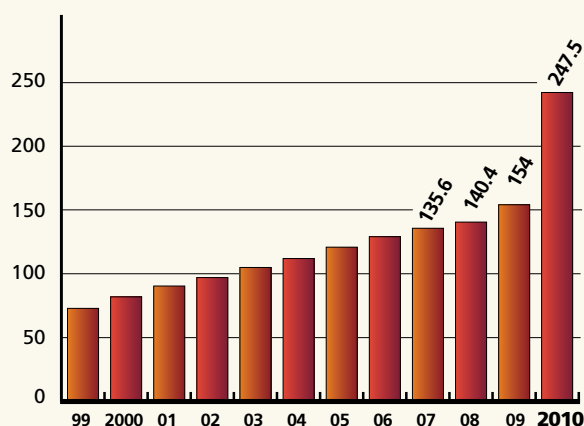
In September 2010, the Bank's decision-making bodies approved the change of the accounting system to that of the international financial reporting standards (IFRS). However, the elements presented below are the result of the closure of accounts based on the Bank's chart of accounts. The results of the closure of the 2010 accounts based on the international financial reporting standards are presented in Box 9 below and in Appendix 13.

A. Assets situation

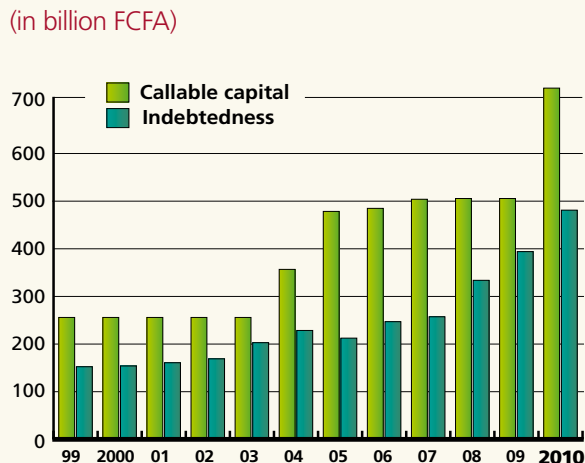
The Bank's total balance sheet figures rose from FCFA1,261.46 billion as at 31 December 2009 to FCFA1,634.86 as at 31 December 2010, especially with the gradual subscriptions made in respect of the capital increase decided in June 2010. The institution's financial situation remains sound and is marked by :

- a balanced financial structure: the shareholders' equity (roughly FCFA175.7 billion) represents 29% of the total balance sheet, excluding the unpaid capital;

GRAPH 8: TREND OF SHAREHOLDERS' EQUITY FROM 1999 TO 2010 (in billion FCFA)



GRAPH 9: TREND OF CALLABLE CAPITAL AND DEBT FROM 1999 TO 2010 (in billion FCFA)



Sources : BOAD

- an indebtedness which is in conformity with the regulatory norms, but the trend of which was the reason behind the 50% capital increase decided in 2010. As at the closure of the 2010 financial year, the outstanding borrowings should represent roughly 59% of the callable capital (to be compared to a ceiling of 100%), and 240% of shareholders' equity, compared to an agreed maximum ratio of 300%.

The consolidation expected from the recent capital increase is gradually occurring, with the subscriptions which are gradually being recorded. In any event, the capital increase decided in June 2010 will make it possible to consolidate the Bank's debt ratio in the coming years.

B. The Bank's operations

The Bank's operations show the following characteristics:

- a predominance of income from loans (85% of the operating income) which constitute the Bank's main activity;
- the cost of borrowed resources (4.7%), is by and large kept under control, albeit with an effect induced by the resources of the special agricultural programme, the financial charges of which are borne by the Member States ;
- the pursuit of a prudential policy of provisions, associated with the situation of certain private projects.

The net rate of deterioration of the portfolio was 5.2% as at 31 December 2010, compared to 6.0% as at 31 December 2009. The improvement noted is the result of a combination of various measures initiated by the top Management of the Bank, particularly, the setting-up of a committee to closely monitor non-performing loans, better monitoring on the field, with a view to speeding up the stabilization of the portfolio, as well as resorting to various legal means of debt recovery. The Bank has been working hard to pursue its actions in the area of monitoring and improvement of portfolio quality.

On account of all these developments, the Bank's operations continue to record positive results. The net profit recorded as at the end of 2010 stood at FCFA4.9 billion, compared to FCFA3.7 billion as at the end of 2009 and FCFA2.1 billion as at the end of 2008. These results consolidate the institution's shareholders' equity. The Bank will continue to monitor the trend of its expenditure in order to continue offering attractive rates, in conformity with the demands of development funding.

2.5.8. CONTROLS

Within the framework of enhanced corporate governance, the Bank's Audit Committee which was set up in 2005 within the Board of Directors, held its two ordinary meetings for 2010. One of the meetings was devoted mainly to the examination of the accounts and the Bank's portfolio. The year's internal audit activities mainly concerned the enhancement of post-audit. The audit exercise covered operational risks as well as the risks inherent in the Bank's activities.

With regard to management control in particular, in addition to the monitoring of the Bank's performance based on monthly management charts and regularly produced quarterly analyses, the plan to institute cost accounting was pursued, with the drawing up of a schedule for operational deployment.

In the area of external auditing, the WAEMU Council of Ministers, during its meeting held in March 2010, appointed the consulting firm KPMG Côte d'Ivoire as the Bank's External Auditors for the financial years 2010-2013. Furthermore, within the framework of the ongoing initiatives to control risks and stabilize the Bank's portfolio, a management audit mission was carried out which was devoted to portfolio management. This intervention should enable the Bank to improve its tools and procedures for identification, analysis and granting of loans and the procedures for management, monitoring and processing of the commitments in the portfolio.

BOX 7: CHANGE OF ACCOUNTING SYSTEM TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND CLOSURE OF THE 2010 ACCOUNTS

In conformity with the decision taken in September 2010 to change to IFRS standards, the accounts for the year were closed in accordance with the new standards at the same time as a comparative closure of the accounts based on the Bank's chart of accounts.

With the application of the international financial reporting standards, the

Bank's results for 2010 stand at FCFA7.9 billion, compared to FCFA4.9 billion in case of application of the Bank's Chart of Accounts.

With the application of the IFRS:

- the effective shareholders' equity of the Bank stands at FCFA247.5 billion as at the end of 2010, compared

to FCFA176 billion in case of application of the Bank's chart of accounts;

- this shareholders' equity represents 27.4% of the total balance sheet, compared to 29% in case of application of the Bank's chart of accounts;
- the debt ratio constituted by the "Borrowings/

Callable Capital" ratio remains unchanged at 59%, whereas the ratio "Borrowings/ Shareholders' equity" stands at 170%, compared to 240% in case of closure of the accounts based on the Bank's chart of accounts.

Details have been provided in Appendix 13 of this report.

THE CEMENT SECTOR IN THE WAEMU COUNTRIES



PLUS GHANA AND NIGERIA*



* Culled from a BOAD study on the cement sector in the WAEMU countries plus Ghana and Nigeria (2010).

See www.boad.org for a full version of the report

The cement sector is important for the economies of the WAEMU countries. With the commitment of the States of the Union towards realizing economic infrastructure and promoting housing, the cement sector is expected to play an ever-increasing role in the drive for the creation of wealth and jobs within the zone.

Within this context, the need to ensure adequate funding for this sector requires better knowledge, since this field of economic activity has given rise to few ad hoc studies, despite its importance.

BOAD contributed towards the dynamism of the regional cement sector through the financing, in an amount of FCFA34 billion, of various investment projects. The Bank is also called upon to finance new projects in this sector.

In this connection, and in order to better appreciate the coherence and adaptability of cement supply in the WAEMU countries, taking into consideration the current and foreseeable demand, BOAD commissioned a study on the sector. Given the existence in this field of important trade relations among certain WAEMU countries on the one hand, and Nigeria and Ghana on the other hand, the study covered the cement sector within the WAEMU zone plus Nigeria and Ghana. This study will enable the Bank and other potential donors to have a better insight into the prospects of this sector.

THE SUMMARY REPORT OF THE STUDY PRESENTED BELOW COVERS FIVE POINTS:

I. Presentation of the available cement production capacity;

II. The production potential of the zone;

III. Recent developments on the cement market;

IV. Medium-term prospects;

V. Specific recommendations.

I. AVAILABLE PRODUCTION CAPACITY

The cement sector in the WAEMU zone is characterized by the existence of integrated cement factories and milling plants distributed all over the eight (8) countries as follows :

BENIN: three production units, one of which is integrated, with a total annual production capacity of 1,250,000 metric tons of cement;

BURKINA FASO: a milling plant with an annual capacity of 600,000 tons;

CÔTE D'IVOIRE: three milling plants with a total annual capacity of 2,000,000 tons;

GUINEA BISSAU: no production unit;

NIGER: a small integrated production unit with an annual capacity of 50,000 tons;

MALI: no cement factory;

SENEGAL: two integrated cement factories with a capacity of 3,000,000 tons of cement each, or a total annual production capacity of 6,000,000 tons;

TOGO: three milling plants with a total annual capacity of 1,650,000 and a clinker plant with a capacity of 1,500,000 tons;

GHANA: three milling plants with a total annual production capacity of 3,500,000 tons;

NIGERIA: nine (9) cement factories with a total annual production capacity of 14,100,000 tons of cement.

Thus currently, only Mali and Guinea-Bissau do not have cement production units.

II. CEMENT PRODUCTION POTENTIAL OF WEMU COUNTRIES

The availability of deposits of limestone, which makes up 80% of clinker and the availability of a source of energy are the conditions for the establishment of an integrated cement industry.

II.1. AVAILABILITY OF RAW MATERIALS

The mineral explorations carried out in the WAEMU zone plus Ghana and Nigeria show the existence of immense reserves of limestone which is the main raw material in cement production. Only Côte d'Ivoire does not have a known limestone deposit. Even though Mali and Guinea-Bissau do not have any production unit, they have significant limestone deposits evaluated at 36 million tons and 34 million tons respectively. According to a conservative assumption, the limestone reserves of the WAEMU zone plus Ghana and Nigeria are estimated at 1229.3 million tons. In addition to limestone, other raw materials are used in cement production, particularly gypsum, clay and China-clay. Apart from Burkina Faso and Côte d'Ivoire, all the other countries in which the study was conducted have vast reserves of gypsum. Clay is available in five (05) of the ten (10) countries under review, namely, Benin, Burkina Faso, Côte d'Ivoire, Senegal and Togo. As for China-clay, it is found only in Benin.

II.2. ENERGY TARIFFS AND AVAILABILITY

Electrical energy is one of the major factors necessary for cement production. The availability of electricity and kilowatt-hour pricing policies vary greatly from one country to the other in the sub-region. Some countries have potential power reserves (Togo, Côte d'Ivoire, Ghana). Others experience difficulties in electric power supply. These difficulties are more marked in Nigeria and Guinea-Bissau. Power shortages jeopardize the proper functioning

of the strategic sectors of the economy. Such a situation is particularly worrying in the cement sector where the demand for energy remains high.

The difficulties lead some cement factories in the coastal countries of the sub-region to satisfy their electricity requirements through the use of generating sets, which affords them a certain degree of energy independence. This second-choice solution remains costly and has a negative impact on the competitiveness of the production units. The countries of the hinterland, particularly Burkina Faso and Niger, have quite a comfortable energy situation. The quality and availability of electricity in these countries are compatible with the requirements of cement factories. The inability of countries considered individually to overcome the energy crisis makes it necessary to draw up sub-regional policies (interconnection, cooperation in matters relating to electricity, etc.).

The high prices of a barrel of oil also result in rising prices of petroleum derivatives (particularly gas oil) generally used for the heating of clinker ovens. This situation impacts negatively on the profitability of cement factories. Alternative sources of heating of clinker ovens, particularly coal and lignite (which abound in Nigeria) deserve to be tapped.

The electricity pricing policy (double tariff system) and the cost of electric power vary from one country to the other. The tariff applied to consumers in the industry in Benin by SBEE (Société Béninoise d'Énergie Électrique) is FCFA78 per kWh. A penalty is charged on this medium voltage tariff when electricity is consumed during peak hours, which range from 7.00 p.m. to 11.00 p.m. In Burkina Faso, Société Nationale d'Électricité du Burkina (SONABEL) sells the kilowatt-hour at FCFA 54 during peak hours instead of FCFA118. SONABEL encourages industrialists to consume power at peak hours in order to benefit from a kilowatt-hour cost which reduces their expenses and enhances their competitiveness. Upon comparison of kilowatt-hour costs in the countries involved in the study, it generally appeared that the countries in the hinterland were less competitive than the coastal countries.

I. RECENT DEVELOPMENTS ON THE CEMENT MARKET IN THE WAEMU ZONE PLUS GHANA AND NIGERIA

In the WAEMU countries, cement is one of the products which have a market which grows rapidly and in a sustained manner in recent years. Indeed, it has been observed that cement consumption has doubled, nay, tripled in the various countries during the past decade. The installed production capacities are no longer sufficient to cope with the trend of growth in demand. The analysis of the cement market dealt with supply, demand and prices in the various countries covered by the study.

III.1. SUPPLY OF CEMENT

• Local production

The cement industry in the WAEMU zone plus Ghana and Nigeria is characterized by a relatively dense network, due mainly to the availability of significant reserves of limestone (the main raw material of cement) available in the ten countries studied, with the exception of Côte d'Ivoire.

With the exception of Senegal and Côte d'Ivoire, which are surplus countries in cement production (production higher than consumption), the countries of the Union plus Ghana and Nigeria remain deficit countries.

Cement production in the WAEMU zone was recently estimated at 8,800,434 tons per annum, with Senegal accounting for 42% of the total. Senegal thus positions itself as the leading cement producer within the WAEMU zone, followed by Côte d'Ivoire (22.7%) and Benin (15%). The two English-speaking countries within the zone studied (Ghana and Nigeria) produce more cement than all the WAEMU member countries put together. This reflects the dynamism of the cement market in these countries where production in 2009 amounted to 11,211,765 tons of cement, representing 56% of entire production of the zone.

• Cement imports

Some of the countries in the zone under review are characterized by a structural deficit situation as far as cement is concerned. This chronic deficit situation which is encountered even in countries with local cement production units, is plugged by imports. Apart from Guinea Bissau which imports cement from Portugal, a substantial part of the countries' imports come from the WAEMU plus Ghana and Nigeria. Such is the case for Burkina Faso and Niger, where the average share of cement imports from this zone in recent years represents 99% and 97% respectively. The remaining imports come from all the continents: Africa, Europe, United States and Asia.

With regard to the quantities of cement imported in 2009, Mali turns out to be the major importer within the WAEMU zone (1 244 000 tons), followed by Niger with 213 000 and Burkina Faso (155 000 tons). This dominant position of Mali in cement imports in the WAEMU is due mainly to the lack of cement factory in that country. Within WAEMU plus Nigeria and Ghana, Nigeria remains the country which imports cement most, despite the relatively high level of its domestic production.

III.2. DEMAND FOR CEMENT

The analysis focused on domestic consumption and exports. Given the lack of statistics on total cement sales and the perishable nature of the product, it was assumed that the importance of storage phenomena was negligible. Local cement consumption was thus deducted based on the relation **Local consumption = Production + Imports – Exports**.

The socio-economic infrastructure, real estate and mining activities are the major sectors which require cement in the countries of the zone.

• Local consumption

Local consumption of cement in the countries of the zone is increasing rapidly owing to the dynamism of the building and civil industry sector. As far as demand for cement, measured

in terms of level of consumption per capita is concerned, the highest levels are recorded in the producer countries. Thus, Senegal is the country in the WAEMU zone where per capita consumption is the highest, with 183 kilograms per inhabitant, followed by Benin and Togo, with 168.4 kilograms and 152.5 kilograms per inhabitant respectively.

Niger for its part, has the lowest per capita consumption in the zone, with only 18 kilograms per inhabitant. The high level of the price of a ton of cement and the development of the practice of building with clay, a substitute for cement, account for the low level of consumption of cement in Niger.

As far as the two English-speaking countries are concerned, it should be noted that despite the magnitude of the demand for cement in Nigeria, the per capita consumption of the country is relatively low, being 98 kilograms per inhabitant, whereas it attains 167.1 kilograms in Ghana.

• Cement exports

The major cement producing countries in the WAEMU zone are also those which export cement most. Thus, Senegal, which exported 1,182,106 tons of cement in 2009, is by far the biggest cement exporter in the WAEMU zone. Next come Togo and Côte d'Ivoire, with exports of 322,100 tons and 283,385 tons in 2009 respectively. Mali is the major destination of the cement produced in Senegal. This country has consumed more than 80% of Senegal's exports over the last decade. In 2009, the share of Senegal's cement exports to Mali stood at 91%. Togo's exports are shared among the three major importers within the WAEMU zone with 33.5% for Niger, 28.2% for Burkina Faso and 21.4% for Mali between 2006 and 2009. Côte d'Ivoire's cement exports mainly go to Mali and Burkina Faso. In 2009, 83% of these exports went to Mali compared to 16% for Burkina Faso.

III.2. PRICE LEVELS

The analysis of prices shows that Senegal still holds the record of offering the lowest prices to consumers in the WAEMU zone plus Ghana and Nigeria. The consumer price of a ton of cement is only FCFA56,114 in Senegal ; next come Togo and Benin with FCFA81,000 and FCFA81,875 per ton respectively. Niger on the other hand, is the country in which cement is most expensive. A ton of cement there is worth FCFA 135, 460, or 2.4 times the price prevailing in Senegal. Mali and Burkina Faso follow with FCFA128,342 and FCFA114,688 per ton of cement respectively. Guinea-Bissau has an average price for cement which is FCFA90,000 per ton of cement. The cost of transport partly explains the high cost of cement in Niger, Mali and Burkina Faso.

With regard to pricing policy, only Togo and Benin have price equalization systems. The system however causes distortions on the cement market, particularly in Benin. Indeed, most cement suppliers, especially importers, do not comply with distribution quotas, preferring to inundate the south of the country with all the cement, to the detriment of the north. The lack of control by the Ministry of Trade is a significant limiting factor which favours this phenomenon.

In Burkina Faso, the price of cement is approved by the Government, given the de facto monopoly of the only cement production unit installed on the territory. In the other countries of the Union plus Ghana and Nigeria, cement prices are determined freely by the producers and importers, based on market trends. These operators are also free to distribute cement to places of their choice. Thus, areas which are far from the production centres are at a disadvantage, given the transport costs. Cement in such areas is more expensive.

IV. MARKET PROSPECTS: ANALYSIS OF THE GAP BETWEEN PROJECTED SUPPLY AND PROJECTED DEMAND

The cement industry in the WAEMU sub-region plus Ghana and Nigeria is characterized by a dynamism which is the result of the establishment of new production units and the increase in the production capacities of existing units. From a level of roughly 3.8 million tons in 2000, the quantity of cement produced in the sub-region attained 17.5 million tons in 2009. This strategic sector is expanding due to the population's dynamism and the increasing demand for socio-economic infrastructure and housing. Despite the significant supply aimed at satisfying the rapid increase in needs, total cement demand remains largely unsatisfied.

In order to satisfy the rapid increase in demand, several projects to construct cement factories or increase the capacity of existing projects are being executed. Thus, in Benin, all the existing production units are planning to increase their production capacities by 2013. In addition, it has been announced that a new integrated cement factory, the Nouvelle Cimenterie du Bénin (NOCIBE) with an annual production capacity of 1,250,000 tons will be constructed. In Burkina Faso, in addition to the existing cement factory, the promoter of Diamond Cement of Burkina (DCB) is planning to construct a new milling station. In Niger, the Société Nationale de Ciment (SNC) cement factory expansion project is far advanced. The project should make it possible to achieve a more than tenfold increase in the capacity of the cement factory. Mali and Guinea-Bissau which do not yet have any cement factories should have them anytime from 2011 onwards. In Senegal, despite the significant production capacity of the country, four new cement factory construction projects have been announced, including one by the major Nigerian cement producer (the Dangote Group). In Ghana, a new cement factory is being constructed. Finally, Nigeria, which has always had significant cement deficits has embarked on the construction of seven (07) new cement factories.

Naturally, there will be interactions among the various projects mentioned. Niger is the main country of destination of Togolese and Beninese cement exports. The proposed expansion project in Niger will enable that country to become self-sufficient in cement. Mali is the main market for Senegal, and, to a lesser extent, Côte d'Ivoire. With its cement factory construction projects, Mali will be able to produce the essential portion of its cement consumption, which will result in a significant reduction in cement exports from Senegal. The Burkina Faso market is shared between Côte d'Ivoire and Togo. The expansion of Diamond Cement of Burkina Faso (DCB) will enable Burkina Faso to reduce its cement imports. Finally, Nigeria, which is considered as the main country capable of absorbing the surpluses of the other countries, is making moves to increase its production capacity, thus falling in line with its Government's vision of making the country not only self-sufficient, but a cement exporter as well.

Generally, by 2013, all the countries of the Union should be self-sufficient in cement, with the exception of Mali and Burkina Faso which would nonetheless have achieved significant reductions in their imports. The Union would then record a total production capacity of 18.7 million tons per annum compared to an estimated consumption of 11.8 million tons per annum, leaving a surplus of 6.8 million tons in addition to Ghana's surplus of 0.16 million tons. Nigeria for its part, will have a production capacity of 29.8 million tons per annum, compared to a need which should not exceed 26.8 million tons. Simply put, the zone will be a cement surplus zone. The export-oriented companies should then either refrain from operating at full capacity or find new markets for their excess cement. However, a rapid increase in consumption will make it possible to absorb the excess cement in the medium term.

V. CONCLUSIONS AND RECOMMENDATIONS

The cement sector in the study zone (WAEMU plus Ghana and Nigeria), is characterized by a sufficiently dense industrial fabric. Only Guinea-Bissau does not have a cement factory; Mali had set up a complete cement factory at Diamou just after independence in the 1960's. The cement industry in the zone studied experienced a very rapid growth as from the beginning of the 2000's. Despite the development noted in the sector, supply does not always satisfy the ever-increasing demand in the countries. The shortfall is plugged through the activities of traders who import or export from one country to another, as the case may be. The transactions carried out by traders within the WAEMU mainly concern cement produced within the zone. Guinea-Bissau is a special case, since the greater part of its cement consumption comes from Portugal, a country outside the African continent. Nigeria is a special case in that demand is not satisfied by local production; in fact, almost its entire imports are made up of bulk cement delivered to the harbours of the country where bagging facilities are installed. Senegal, Côte d'Ivoire, Togo and Benin are the exporting countries in the WAEMU zone, while Niger, Burkina Faso and Mali import cement from within the zone. Access of consumers to the product varies greatly from one country to the other. The countries of the hinterland (Niger, Mali, Burkina Faso) must face very high prices because of the long distances over which the cement is conveyed, even if the roads are relatively good. This applies to Niger, which procures cement from Cotonou or Lomé; this also applies to Burkina Faso, which ensures that its cement is conveyed from Lomé or its clinker from Tabligbo.

■ **Niger** in particular, is in chronic deficit of cement, even though its sub-soil contains all the raw materials necessary for cement production. The country could do without cement imports from Cotonou and Lomé if it could develop its abundant resources. The fact that it is obliged to import cement in order to meet its domestic demand makes the cement very expensive for a poor population

which is compelled to resort to houses built with non-durable materials. There is no doubt that the expansion of the capacity of Société Nigérienne de Cimenterie will result in a fall in cement prices, thus making the product accessible to a greater number potential consumers and contributing towards the stimulation of the country's development.

■ **Mali** is a country in which construction is taking place on a vast scale, and it appears normal that this country, which is the leading net importer of cement, should have a cement factory to satisfy its enormous development needs, the more so as the price of cement is compounded by transport costs. Mali finds itself in a long-term deficit situation ; its burgeoning cement industry deserves to be supported in order to give the country the assets for its growth.

■ **Burkina Faso**, the second biggest cement importer in the WAEMU zone, is also a deficit country and risks remaining so for a while yet. By 2020, export capacities will be available in Senegal and especially in Benin, which could then play the role of naturally privileged exporters.

■ **Senegal**, the main cement exporter in the zone, has a largely higher supply compared to its domestic demand. Mali, which is its main foreign market, is in the process of equipping itself. The length and poor condition of the roads are handicaps for the sale of its large surplus in Guinea-Bissau. Senegal has good export capacities, but is distant from an importing country like Burkina Faso. Senegal is near a natural market, Guinea-Bissau, but has the handicap of bad roads and the maritime corridor is not well equipped.

In order to support the industries in the zone, the WAEMU institutions should also consider the downstream infrastructure. Senegal will experience difficulties in conveying its cement by road to countries with deficits in this product. The maritime transport mode should be a centre of interest and deep reflection. Like what is being done in the air transport sub-sector, a well-thought out project to create a private community maritime transport



company with coasters or light ships capable of linking the ports of West Africa, should be favoured and supported in order to facilitate trade within the zone and thus reduce its dependence. Considering its high cement production capacity, Senegal needs such a development tool.

■ **Guinée-Bissau** finds itself in a special situation. The determination to have a cement industry exists at the level of the State as well as among private investors (nationals or foreigners), even if the latter are held in check by a wait-and-see attitude due to the upheavals occurring in the country in recent years. All the same, caution must be exercised.

With regard to the use of calcium (which is a by-product in the processing of phosphate) in a cement factory, it would be risky to base heavy investments on the use of such a by-



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product as a raw material; once the phosphate factory stops operating, the cement works would grind to a halt.

A bulk cement bagging unit, if imported, could serve as the beginning of a cement industry. The import and assembly of a clinker milling plant could even be envisaged, provided the size of the market justifies its profitability. The country does not lack assets, as shown by the numerous projects listed by the authorities. At the Chamber of Commerce, it was stated categorically that the hundreds of thousands of tons of cement being currently imported represent only half of 1998 imports. The construction of a cement works should be deferred, pending the proving of the existence of easily workable limestone reserves.

To justify the establishment of a cement works, Guinea-Bissau considers that apart from its

domestic market (of 1.5 million inhabitants), it has two natural markets: Casamance (with a population of 1.5 million inhabitants) in Southern Senegal and the localities situated on the western slopes of the Fouta-Djalón, in the territory of Guinea-Conakry (which harbour 1 million of the 14 million inhabitants of that country).

- Ziguinchor, the biggest town in Casamance, is closer to Bissau (100km) than to Dakar (400km). Belonging to the same WAEMU zone should facilitate matters.

- The localities in western Guinea-Conakry (Koundara, Boké, Kamsar, Labé) are difficult of access from Conakry because of the Fouta-Djalón chain of mountains. According to officials of the Chamber of Commerce, 10 to 20% of Guinea Bissau's imports are re-exported to these towns which are closer to Bissau than to Conakry. The membership of ECOWAS should be a precious asset for penetrating this market.

■ **Benin** has embarked on ambitious cement factory creation and production capacity increase projects. The country can capitalize on the possible benefits to be derived from membership of ECOWAS in order to enter the Nigerian market.

■ **Nigeria** is a country which has for decades had a chronic cement deficit. It is capable of absorbing the entire cement production capacity of the WAEMU Member States without fully satisfying its domestic demand. That is why the country is so attractive: everyone wants to go there, but in fact, only its closest neighbours can actually benefit. Benin should be able to derive benefits from its proximity, on which depends the profitability of the numerous cement projects being initiated. Considered from this viewpoint, these projects can be supported.

■ **Togo** could, to a lesser extent, benefit from the Nigerian market. The country could also capitalize on its proximity to Ghana, since the major players in Togo, CIMTOGO and WACEM, have sister companies there.

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