

Press release

The West African Development Bank (BOAD) launches the "Shock Resilient Loans" program under its sovereign loan portfolio.

Lomé, TOGO – September 19, 2024 - The West African Development Bank (BOAD) launches the "Shock Resilient Loans" program for the benefit of its member countries. The project's pilot phase covers Benin, Côte d'Ivoire, Senegal and Togo, a loan portfolio in these countries totaling over USD350 million (€314 million and XOF206 bn) will therefore be covered for the first time by parametric insurance, against the impacts of natural and health disasters.

The innovative and unique nature of this instrument lies in the combination of a subsidized loan offer with a parametric insurance product. Such project will enable BOAD member countries to bring forward their climate investments and projects whilst building greater resilience. In the event of natural or health disaster such as drought, flooding, epidemic or pandemic, the insurance mechanism will be triggered, temporarily lifting borrowers' repayment obligations.

The insurance mechanism therefore indirectly provides financial assistance, should the need arise, without affecting the underlying loan agreements, therefore providing flexibility and rapid financial relief.

Such innovative solution promoted by BOAD, at the initiative of KfW, is the result of a cooperation between several players: African Risk Capacity Limited (ARC Ltd), which insures BOAD against losses related to the deferral of annual instalments, Munich Re, which provides reinsurance to ARC Ltd and which has been mandated with Frankfurt School of Finance by KfW to develop and implement the project.

"BOAD and WAEMU member countries welcome the introduction of this innovative tool, which provides financial support to the most vulnerable and exposed countries to climate and health risks, by facilitating debt servicing and improving resilience to shocks," said Mrs Gnékélé GNASSINGBE, Head of Treasury and Capital Markets Department of BOAD.

For Michael Wehinger, Head of KfW West Africa "this innovative financial tool, which combines subsidized loans with parametric insurance, represents a significant step in building greater resilience for WAEMU member countries to tackle climate and health challenges.

"ARC Ltd. is committed to helping African countries build the financial resilience required to address the unpredictable impacts of climate and health disasters. By integrating parametric insurance into sovereign loan portfolios, we are providing immediate relief and enabling countries to maintain their development path even in the face of adversity. This innovative initiative reflects the importance of innovative financial solutions and reinforces our shared mission to provide rapid support", declared Anaïs Symenouh, Head of the Legal Department.

Commenting on this achievement, Céline Harden, Project Manager at the Frankfurt School of Finance and Management, said: "We have been involved in the development of the product from the outset, and we welcome BOAD's pioneering role in introducing Shock Resilient Loans. This not only represents a new instrument in the development banks' offer, but also enables countries to better address the aftermath of natural disasters by using pre-established financing mechanisms."

Michael Roth, Munich Re's Public Sector Practice Lead and Project Manager on behalf of Munich Re commented: "We are very proud to have contributed our expertise to the development of the Shock Resilient Loans program. The launch of this program is a superb demonstration of the use of parametric insurance to cover the maturities of sovereign loan portfolios. BOAD's success should serve as a model to be replicated in other regions of Africa, and beyond."

About West African Development Bank

The West African Development Bank (BOAD) is the common development finance institution of the member countries of the West African Monetary Union (WAMU). It is an international public institution whose purpose, as provided under Article 2 of its Articles of Association, is to promote the balanced development of its member countries and foster economic integration within West Africa by financing priority development projects. It is accredited to the three climate finance facilities (GEF, AF, GCF). Since 2009, BOAD sits as an observer at the UNFCCC and actively participates in discussions on devising an international climate finance system. Since January 2013, it has been home to the first Regional Collaboration Centre (RCC) on Clean Development Mechanism (CDM), whose aim is to provide direct support to governments, NGOs and the private sector in identifying and developing CDM projects. As of October 15 2023, the Bank has been co-chairing alongside Bancoldex, the Colombian Business and Export Development Bank, the International Development Finance Club (IDFC) which brings together 26 national, regional and multilateral development banks from around the world.

About ARC Ltd

African Risk Capacity Limited (ARC Ltd.) is a pan-African financial institution specialized in the management of risks related to natural disasters, in particular climate risks. As an African Union-led entity, ARC Ltd. provides tailor-made insurance solutions to African countries to help them address the devastating impacts of adverse climate events including droughts, floods and cyclones. The main objective of ARC Ltd. is to enable African governments to respond quickly and effectively to crises by releasing emergency funds as soon as a disaster strikes, thereby reducing dependency on international aid and building greater resilience for communities. Through its innovative insurance products, ARC Ltd plays a crucial role in promoting food security and protecting livelihoods across the African continent.