



PRESS RELEASE

The PACAN programme: an innovative approach to building climate resilience in Africa

Lomé, 4 March 2025 – The disaster-adapted loan programme (PACAN) funded by the Federal Republic of Germany through its development bank, KfW, acting on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ), demonstrates the effectiveness and potential of an innovative partnership between the West African Development Bank (BOAD), the Reinsurance Company Munich Re, African Risk Capacity (ARC Ltd) and the Frankfurt School of Finance & Management (FSFM).

This programme provides a financial solution tailored to the needs of WAEMU countries, enabling them to address effectively emergency expenditure in the event of natural and health disasters, and to promote investment in climate adaptation and mitigation projects.

Since its inception, the PACAN mechanism has been funded by two grants from KfW, on behalf of BMZ, to the tune of €10 million, or XOF6.56 billion. This funding enabled the development and implementation of the PACAN insurance product, as well as the subsidization of insurance premiums throughout the project's pilot phase.

The PACAN roadshow was launched at BOAD headquarters in Lomé on 11th February 2025, bringing together representatives of the Togolese government, international donors, local authorities and programme partners.

The insurance mechanism was activated for the first time through the repayment of an amount of €6.624 million or XOF4.345 billion, equivalent to two instalments of Togo's debt service to BOAD, in respect of loans for climate adaptation in response to heavy rains and flooding in several regions of the country, as back in October 2024.

An agile solution to climate challenges in the region

The PACAN programme is based on a unique collaboration between several international development finance players.

By combining subsidized loans and parametric insurance, this program stands out from conventional mechanisms, offering greater flexibility and financial assistance to governments.

Unlike traditional parametric insurance, which pays out direct compensation, the PACAN mechanism covers some debt service instalments for governments in the event of natural or health disasters. Through the PACAN programme, governments will not have to use their funds to service their debts, but rather channel such resources into emergency aid and mitigation of the adverse effects of shocks (relocation of populations and funding of emergency shelters, reconstruction, supply of basic needs, emergency works, etc.). Thanks to the PACAN programme, loans will not be subject to default, thereby guaranteeing borrowers' solvency.

Ms. Gnekele Gnassingbe, Director, Treasury and Capital Markets Department at the West African Development Bank, stated: "*The PACAN programme is a concrete illustration of innovation championed by BOAD in its climate strategy. It is evident that through innovative tools and strategic partnerships, it is possible to provide solutions tailored to the development needs of the most exposed countries to climate risks.*"

The PACAN programme: a proven success

The PACAN programme kicked off in August 2024, focusing on four pilot countries: Benin, Côte d'Ivoire, Senegal and Togo.

Triggered for the first time in December 2024, the programme confirms its operational effectiveness, embodying an innovative and agile approach to financial resilience.

By combining technical expertise and international cooperation, this programme has enabled West African countries to address disaster-related impacts without compromising their development projects.

Mrs. Sonja Wasserman, Director of KfW Office in Togo, said: "With the PACAN programme, we are not just addressing emergencies, we are providing countries with effective prevention capacity and financial flexibility."

A model that can be replicated throughout Africa

The success of the PACAN programme paves the way for its continued development and extension to other African countries, all of which are facing growing climate risks. By freeing up financial resources at a time when countries need them most, this model enables governments to protect their populations, while preserving their development programs.

Anaïs Symenouh, Legal Manager at ARC Ltd., stated: "*The PACAN programme is not just a financial mechanism, it is an example of international collaboration and public-private partnership serving the concrete needs of African countries.*"

Céline Harden, Project Manager in Climate Finance at the *Frankfurt School of Finance & Management*, commented: "*This programme not only represents a new financial instrument in the development banks' offer for climate risk management, but it also enables the most vulnerable countries to better address the aftermath of natural or health disasters.*"

Towards greater resilience

As the impacts of climate change continue to grow, the PACAN crystallizes the efforts and innovative dynamics of climate action, responding to countries' immediate needs and guaranteeing them a sustainable future. This unprecedented mechanism, based on a unique synergy between the public and private sectors, is meant to inspire the entire continent and far beyond.

Michael Roth of Munich Re concluded: "*In its initial phase, the PACAN programme was deployed in the WAEMU region for the benefit of the 8 WAEMU countries where BOAD operates. Nevertheless, this approach and its underlying mechanism can be replicated and adapted to other regions in Africa and worldwide. That is our ambition!*"

About BOAD

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. Since 15 October 2023, the Bank has co-chaired the International Development Finance Club (IDFC), and since 27 February 2025, it has held the sole chairmanship. This club brings together 27 national, regional and multilateral development banks from around the world.

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Program partners:

KfW: <https://www.kfw.de/>

African Risk Capacity (ARC Ltd):

Munich Re: <https://www.munichre.com/>

Frankfurt School of Finance and Management: <https://www.frankfurt-school.de/home/international-advisory-services/cdrfi-competence-centre>