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"COVID-19 SOCIAL" BONDS of WAEMU member states

Assessment and Outlook

11.06.2020

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I. Context

As part of the fight against the COVID-19 pandemic, the WAEMU member states have jointly validated a programme known as "COVID-19 Social Bonds".

In addition, the WAMU (West African Monetary Union) Securities Agency (*Agence UMOA-Titres* or *AUT*) in collaboration with the Central Bank of West African States (BCEAO), carried out during April and May 2020, on behalf of the member states, the issuance programme of "COVID-19 Social Bonds" for a total amount of XOF 1,172 billion.

II. Coordination and communication

- **Coordinate the development of the instrument in collaboration with the BCEAO, especially on the part of the eligibility of the new instrument for refinancing facilities at its counters.**
- **Discuss with issuers and investors the structuring of an instrument adapted to the situation and expectations of stakeholders.**
- **Define, while ensuring fair competition, a reasonable ceiling on the rate of the instrument, in coordination with the issuing states and investors given the particularity of the context, in order to limit the impacts on debt servicing.**
- **Ensure that an acceptable level of attractiveness of the government securities market is maintained for investors in the post-COVID period.**
- **Publicize to the market (via email, website and various channels) a date for a meeting regarding the transaction.**
- **Organize a Conference Call bringing together investors (130 banks) and issuers (8 national Treasuries). Invite the BCEAO to provide support on regulatory topics essential to success.**

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III. Features of the " COVID-19 Social Bonds" programme

- **Amount to be raised (for the 8 states): XOF 1,172 billion**
- **Instrument Type: Fungible Treasury Bills**
- **Period : 3 months**
- **Interest rate: Discounted rates and bids are made at multiple rates at or below 3.75%**
- **Refinancing obtained from the BCEAO counters (windows) : the bonds named “COVID-19 Bonds” are eligible for the BCEAO classic counters as well as for a permanent special COVID 3-month refinancing facility (window) at a fixed rate of 2.50%.**

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IV. Issuance Results

- **Breakdown of issuance results, with weighted average rates between 2.76% and 3.37%.**
- **Strong issuing coverage of 370%, which shows the overwhelming response in the market.**
- **Weighted average rates come out with a margin of less than 1% compared to the policy rate of 2.50%. As for marginal rates (the highest rates retained) they remain below 3.50% (down more than 0.25% from the ceiling rate of 3.75%).**

Countries	Raised amount (billion)	Marginal rate	Mean rate	Period	Coverage ratio
Benin	133	3.1400%	3.1095%	03 months	449%
Burkina Faso	80	3.3499%	3.2654%	03 months	520%
Côte d'Ivoire	535	3.3261%	3.2244%	03 months	322%
Guinea-Bissau	15	3.0998%	3.0489%	03 months	352%
Mali	88	3.2473%	3.1899%	03 months	489%
Niger	110	2.8994%	2.8447%	03 months	417%
Senegal	103.13	3.4750%	3.3687%	03 months	426%
Togo	108	2.7943%	2.7574%	03 months	207%
Total	1172	3.2218%	3.1434%	03 months	370%

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V. Outlook

- **Communicate to the market, if available, the cash plans of the States in connection with the payment of "COVID Social" Bonds.**

- **As part of the post-COVID era, gradually reintegrate the "COVID Social" Bonds into a conventional issuance programme.**

- **Offer the market securities exchange programs (COVID Bonds for longer maturity securities).**

- **Propose to the States to register the COVID Bonds or their substitutes, as part of a program of payment of taxes and levies by companies to convert them into tax credits for companies holding these securities.**

VI. Takeaways

- Ensure good coordination with the national Treasuries and the BCEAO, and consult investors by assessing their appetite for maturities and rates, to better adapt the fund-raising instrument that will be offered to them.

- Ensure good communication with market players to secure their buy-in for the approach.

- Integration of the special COVID Bonds programme into the conventional non-COVID program to be run concurrently.

- Contact investors regarding any changes to issuance programmes, market practices and actions taken by the BCEAO.

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ANY QUESTIONS?

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