



GROUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT

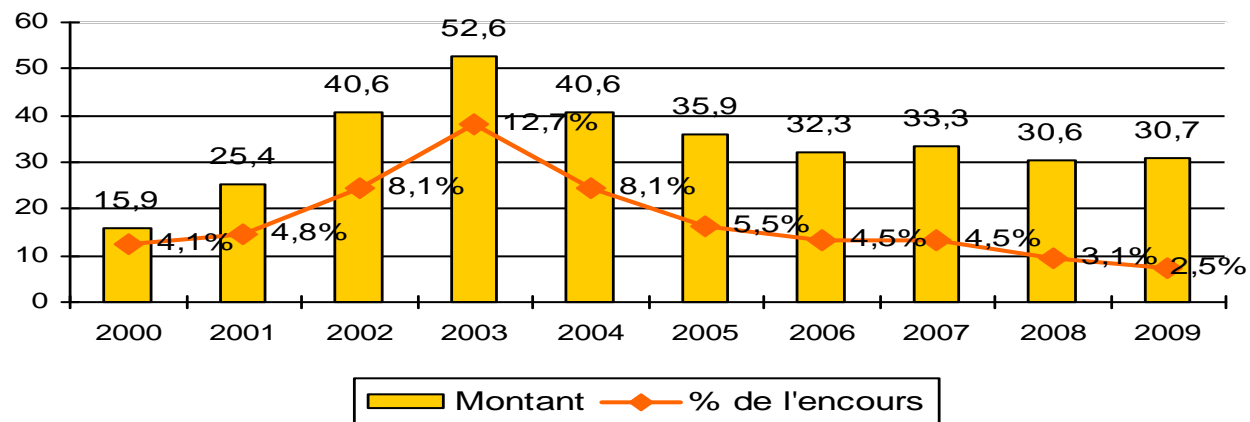
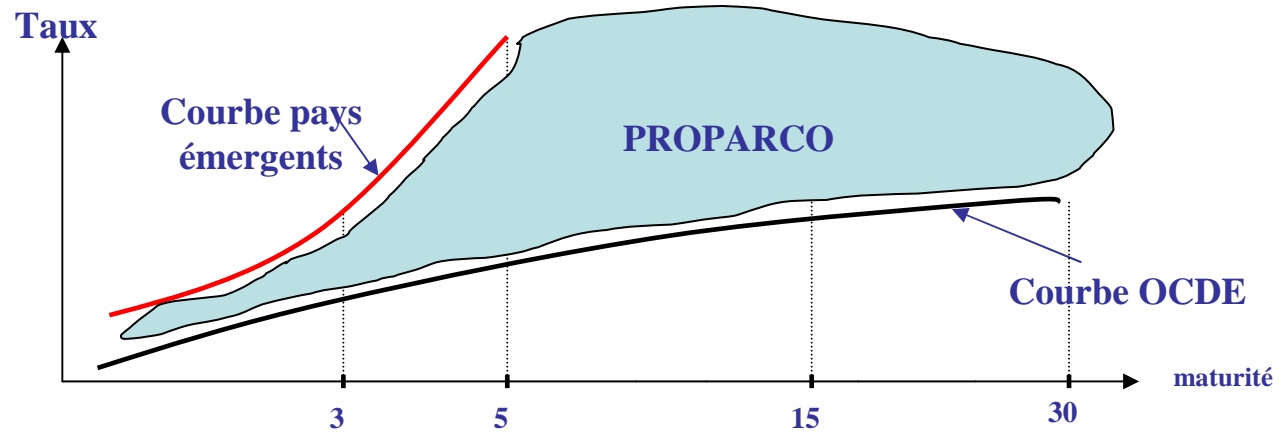
**Innovative Financial Solutions for  
Development**  
**AFD, WB and Gates Foundation**  
**Paris, March 4-5**



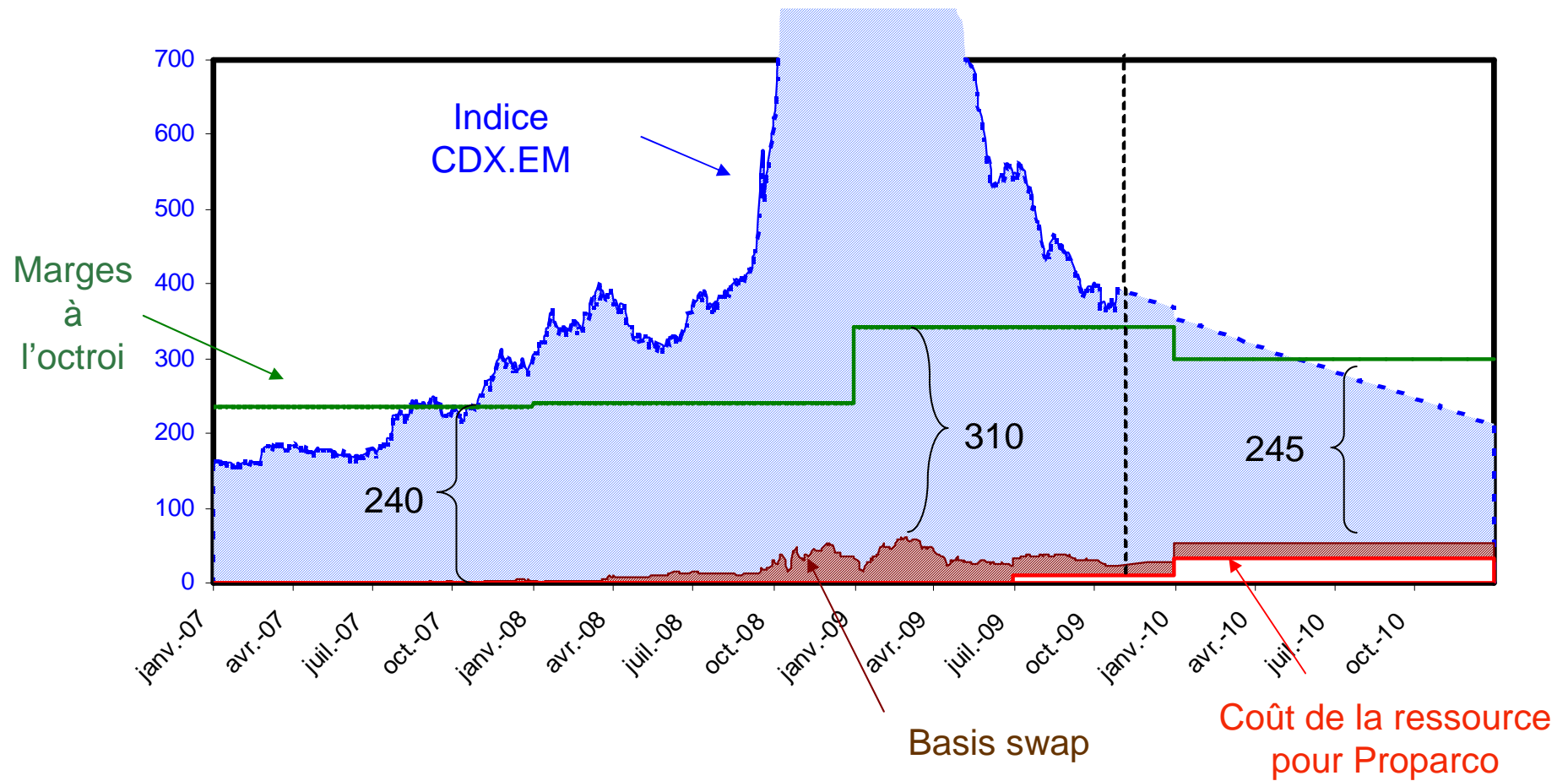
**BEYOND LENDING:  
Managing Risk and  
Volatility**

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# The first market failure: risk perception and spreads/CDS volatility



# The example of the last 3 years Lending LT with ST benchmarks?



## **There is a full set of instruments that already exists. Recents Proparco examples**

- **Stock Market Volatility:**
  - **Tunisia SPV with a guaranteed yield**
- **Exchange risk volatility:**
  - **Direct bon issuances or Bank Loan gaurantees**
  - **Guaranty of Municipal Bond issuances**
  - **TCX –mutualisation (basket)**
  - **Traditional Equity**
- **Spreads/ Interest rate volatility :**
  - **Loans with spreads linked to the CDS (Turkey,..)**
- **Commodity price volatility (ex Sodecoton)**

# Covering partially the Commodity and Exchange risk

## L.T. loans with payments linked to the cash-flow

### Hypothesis

Année	1	2	3	4	5	6	7	8	9	10	11	12
Indice A CAF (FCFA/kg)	623	694	810	717	752	833	822	787	775	694	798	764
Cours FCFA/USD	505	525	525	525	525	525	525	525	525	525	525	525
Cours Euro/USD	1,30	1,25	1,25	1,25	1,25	1,25	1,25	1,25	1,25	1,25	1,25	1,25
Indice COTLOOK "A"	56	60	70	62	65	72	71	68	67	60	69	66

### Results

Reimbursement duration reduced to 8 years thanks to anticipated reimbursements during 4 years

