

Mr. President,

Financial and economic crisis which is affecting in full force our world, accompanied with serious social consequence, which because of the interdependence of economies does not leave any country unaffected, impacts negatively developing countries, especially those in Africa.

The occasion of this crisis puts the tool of insurance into the heart of debate on the process of development in Africa and capacities of endogenous financing of African countries confronted more than ever with lack of bilateral and multilateral funding.

Mr. President,

African countries, conscious of the necessity to integrate the virtuous circle of growth and development, put in practice over the last two decades enormous efforts to stimulate internal growth through macroeconomic reforms as well as growth-oriented sectoral adjustment, creating inter alia, business friendly environment, undertaking market liberalization, opening to the outside world and strengthening legal protection for foreign investors. All this happened in an environment of political, economic and financial stability.

The strength and depth of these reforms, coupled with the good economic policy, permitted during the last decade for Africa to register economic growth of the magnitude of 6% per year.

However, despite her resilience to the crisis, and because of her marginal exposure to structured products of international financial system, and her still lacking integration into the global system, Africa was not spared external shocks connected to this crisis. This resulted in reduced economic growth for 2009 which amounted to 3.5% and is projected at 2.5% for 2010, therefore a reduction of between 1% and 2% compared to the rates in 2007 and 2008. The effects of this crisis are also seriously impacting fiscal issues because of the contraction in global demand. Bilateral and multilateral financing for development will be equally affected, and probably foreign direct investment due to the increase in the perception of risk.

Based on the preceding, it follows that local savings, endogenous, could serve as a tool to promote investment, creating wealth and employment. Reliance on these savings will compensate for the contraction of external resources.

Outside of the banking sector that is a traditional source of capitalization and mobilization of savings, but which with the banking crisis has seen a contraction of its deposits in 2008 (it was not just a banking crisis but a crisis of the whole system), local, endogenous savings do not appear to be anymore the safe heaven. Thus, outside of the banking sector, insurance and reinsurance sector, already established in countries with old tradition in insurance, have in recent years emerged in Africa as a powerful tool for mobilizing long-term savings.

According to specialist advice, premiums collected and managed by the insurers remain non speculative investments unlike those of Hedge Funds (reputed volatile), and are invested in development projects with long-term horizon.

Therefore, capital generated by the insurers are the key for the capitalization of a modern economy and give the advantage of freeing unused funds for investment, innovation and growth without losing their primary function which is to reimburse insured persons.

Mr. President

It is well established that developed countries dominate international insurance market. That part of the market taken by developing countries amounted to 8% in 2004 and 10% in 2007 and still remains weak, especially so in Africa which accounted for only 1.5% of the total world premiums.

In fact, if we take a ratio of premium payments to Gross Domestic Product (GDP), that is in the sector a standard measure to evaluate the importance of insurance in an economy, we note a ratio premiums/GDP of 5% in Africa in general, and 1.5% outside of South Africa compared to the world average of 8%.

Despite the importance of insurance as a source of capital and factor of growth, Africa experiences however a serious lag in the sector, and although insurance market has experienced growth in the Maghreb region, it is a different situation in Sub-Saharan Africa.

Factors which explain the lag of Africa in the insurance market, apart from historical facts, are the awareness of population about the benefits of insurance (people are not sufficiently averse to risk), small household incomes, and competition from international companies. The last factor points to the need to regroup small and medium-size insurance enterprises in Sub-Saharan Africa which crumble the market without the perspective of economies of scale and sufficient capitalization which would guarantee them portfolios consisting of liability, life, and catastrophe risks insurance. This lag is explained also by the lack of institutional, technology, human and professional capacities.

However, with respect to recent developments in the sector in Africa, perspectives look promising.

In fact, all experts agree that insurance and reinsurance because of their complexity can not realistically develop if certain conditions are not met, notably, those of security, judicial and prudential guarantees, stability and reinforcement of capacities.

It emerges that those conditions, which do not exclude political and institutional environment, are much larger than that as they correspond to the body of national, regional or continental rules and disciplines that apply to insurance companies' functioning and services, with a view to enhance market attractiveness and sector professionalism.

In this regard, the perspective which Africa offers deserves all the attention because of the character of certain tools and instruments which make up the insurance landscape in Africa.

Certain African countries have early on realized that insurance and reinsurance are disciplines with strong purpose of regional and international cooperation and that the existence of a system of control and regulation of insurance is essential for this sector in terms of mutual benefit insurance systems, economies of scale and competition. This has resulted in the creation in 1962 (by 14 West African countries) of the Centre of the international Conference of the Supervision of Insurance (CICA), with the following objectives:

- harmonization of national legislation and laws;
- coordination of supervision of insurance companies;
- coordination of training for managers of African insurance companies

Following the deepening of the regional cooperation and emphasis put by managers of the importance of insurance sector for the national economy, insurance managers were trained in developed countries and by the International Institute for Insurance of Yaounde, created in 1972 in Yamoussoukro under the auspices of CICA. A single code for one single market was created under the name of CODE CIMA forthcoming from the treaty of CIMA.

The CIMA treaty has as its main objective to guarantee the legal and financial security of investments, but also that of the insured, and was actually a factor for promoting legal environment conducive to development, and for cleaning up the insurance market in West Africa and Centre. This treaty has been one strong factor in strengthening the institutional capacity in the area of supervision and regulation, in the image of the Financial Services Commission (FSC) of Mauritius and the Egyptian Insurance Supervisory Authority (EISA).

The genuine supranational supervision, achieved by the CODE CIMA through the regional commission of insurance supervision which forms its organ of regulation and not long ago, has the power to supervise the operations and liquidation (jointly with the supervisory judge designated by the appropriate courts), represents one measure of security for companies that are subjected to directives and supervisors of CIMA and not that of the authorities of member states.

This institutional capacity deserves to be permanently strengthened by the professional capacities of supervisors. In addition to the International Institute of Insurance (IIA) of Yaoundé aimed at training of insurance agents, the Interafrican Conference of Insurance Markets (CIMA), equipped itself since July 1992 with a regional organization of reinsurance - the CICARE which consists of 12 member states of western and central Africa and 115 insurance companies from the private sector.

This reference to CICARE allows me to draw attention, in addition to direct or primary insurance, to equally important role of reinsurance in the national economy.

Mr. President,

It is well established that when it comes to growth in disposable savings, reinsurers are key in the debate on financing for development by their contribution to pooling of savings and their capacity to develop virtuous economic circles.

In addition, reinsurance allows not only the local, i.e., national insurance sector to develop, making the risks insurable, but it brings guarantee to the capacity and liquidity of primary insurers, notably in the coverage and prevention of catastrophe risks and petroleum and energy risks with the advantage of global pooling of risks and price balance between mature market countries and those that are developing.

Implicitly, reinsurance makes a transfer of technological competencies and know-how in the subject area of definition of risks, management, pricing and as I mentioned, prevention. UNCTAD should envisage programmes to strengthen human capacity in the sector of reinsurance in Africa in cooperation with the African Insurance Organisation (AIO), and the African Centre for Catastrophe Risks (ACCR), and the Federation of National Insurance Companies of Africa (FANAF).

Furthermore, we are all aware of the theory which reflects national perceptions that foreign reinsurance companies drain national capital outside of the country.

Without denying the importance of foreign reinsurance companies in the coverage of risks and guarantees of liquidity of direct insurers, as well as their role in the national economies because of their capitalization, African financial institutions and certain African countries in their desire to reduce the capital flight towards foreign reinsurers, have reinforced their institutional capacity by the creation of their reinsurance companies in the image of CICARE like the African Reinsurance Company (AFRICA-RE). International financial institution, created on 24 February 1976 in Yaoundé (Cameroun), under the recommendations of the African Development Bank (ADB), groups 41 member states of the African Union and 107 insurance and reinsurance companies, international financial institutions for development financing like SFI, DEG (Germany), PROPARCO (France) FMO (Holland) contributed to its capital. Its creation shares in the perspective of keeping capital internally.

In addition to CICARE and AFFRICARE, there exists in the African continent one other major reinsurer - BEST REINSURANCE (BEST RE). First rate private reinsurer for development of risk coverage in emerging countries and in particular the muslim world. Established in Tunis, BESTE RE affirmed itself as a reliable reinsurer with regional calling.

All in all, all these reinsurance structures represent real factors of security and growth by pooling of risks related to economic activity in African countries, through their stock of long-term financial deposits available for investment and financing of development.

In summary, the existence of these reinsurance companies shows that a system of direct insurance and its scope in terms of portfolio, and its professionalism, stays fragile if it is not backed by reinsurance which permits it to face extreme situations. The fact of coexistence in the African market of both regional and foreign reinsurance companies will allow in a systematic manner to restructure and expand the insurance market in Africa (characterized mostly by non-life insurance or liability insurance rather than life insurance) in such a way that will allow insurance to play a bigger role in the mobilization of savings for the benefit of national economy.

Mr. President,

The role and place of the insurance sector in the economic development of the modern economy is not well known by the larger public in Africa who perceive insurance as superfluous, or a luxury product.

UNCTAD in cooperation with intergovernmental organizations and enterprises in the sector can help in the promotion of the concept Insurance/Reinsurance and help its adoption by the risk averse populations which inhibits performance, paralyzing and handicapping productive sectors, households and the economy.

In summary, although the laws and the regulations which frame the sector and the profession of insurance are essential, they do not describe fully, the whole complexity of the sector in Africa.

The quality of the supervision and regulation, the mastery of the market, and the pricing, technological innovation, analysis and the capacity to forecast risks are all also indispensable and parallel to the efficacy of the growth of insurance in the economy and social development. In the centre of this equation we find the insurance agent, because the profession of insurance expresses itself by the quality of the persons who work in it, their competence, integrity and dedication.

In this connection, the strengthening of the human capacity and the insurance tools should have permanent attention. From historic perspective, UNCTAD remains an indispensable instrument in the service of African insurance markets and its economic agents, together with the African Insurance Organization which since its creation in 1972 helps to promote cooperation among African countries for the development of the healthy insurance and reinsurance industry in Africa.

Thank you.