

An aerial photograph of a winding asphalt road that curves through a dense, green forest on a hillside. The road is light-colored and contrasts with the dark green trees. The terrain is rugged, with some rocky outcrops visible. The overall scene is a scenic view of a mountain road.

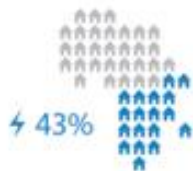
Towards economic independence: Developing a **blueprint** for African reinsurers to fund development projects

27th AIO Reinsurance Forum - 5th Session Panel Discussion
Tuesday 3rd October 2023

Infrastructure Development in Africa – Facts & Figures



Power demand will increase **93%** between today and 2035.



Household electrification rate in Africa stands at just **43%**, leaving 600 million people without access to electricity.



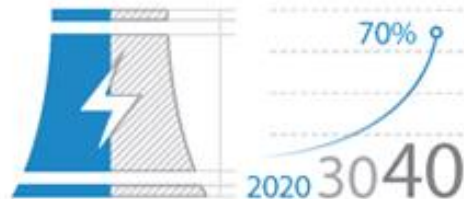
Electricity coverage ranges from **65%** in urban areas to **28%** in rural areas.



Nearly **700 million** people live without clean cooking facilities.



Two-thirds of the population continue to burn biomass for fuel, which poses both health and environmental hazards and requires time-consuming foraging by women and children.



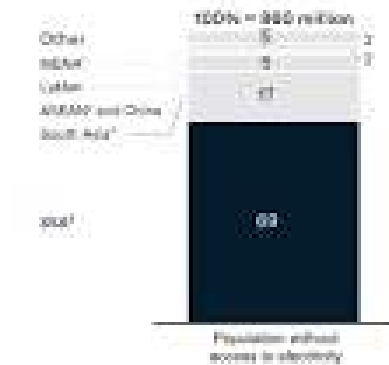
Projections for electrification rates indicate a steady rising trend in the upcoming three decades, to around **70%** in 2040, providing access to **800 million** more people.

Infrastructure Development in Africa – Facts & Figures

More than two-thirds of the global population without access to electricity is based in sub-Saharan Africa.

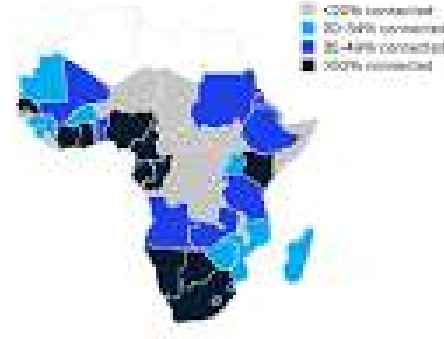
Distribution of population without access to electricity by region

2018 total without access, (b)

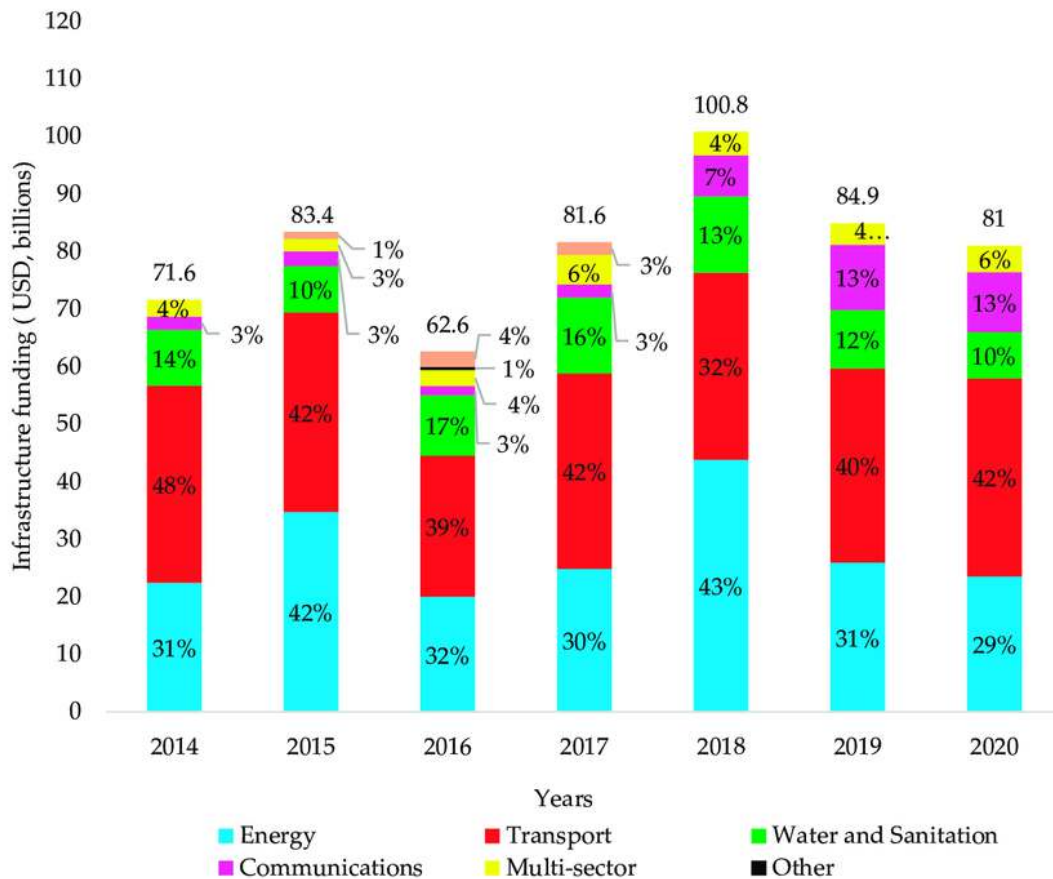


* South, East and West Africa
 † Association of Southeast Asian Nations
 ‡ Bangladesh, India, Nepal, Pakistan, Sri Lanka, Timor-Leste

SSA electrification rates

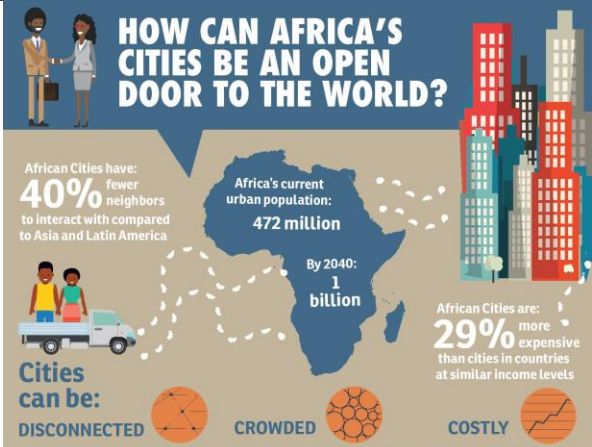


Infrastructure Development in Africa – Facts & Figures



Source: ResearchGate

Infrastructure Development in Africa – Facts & Figures



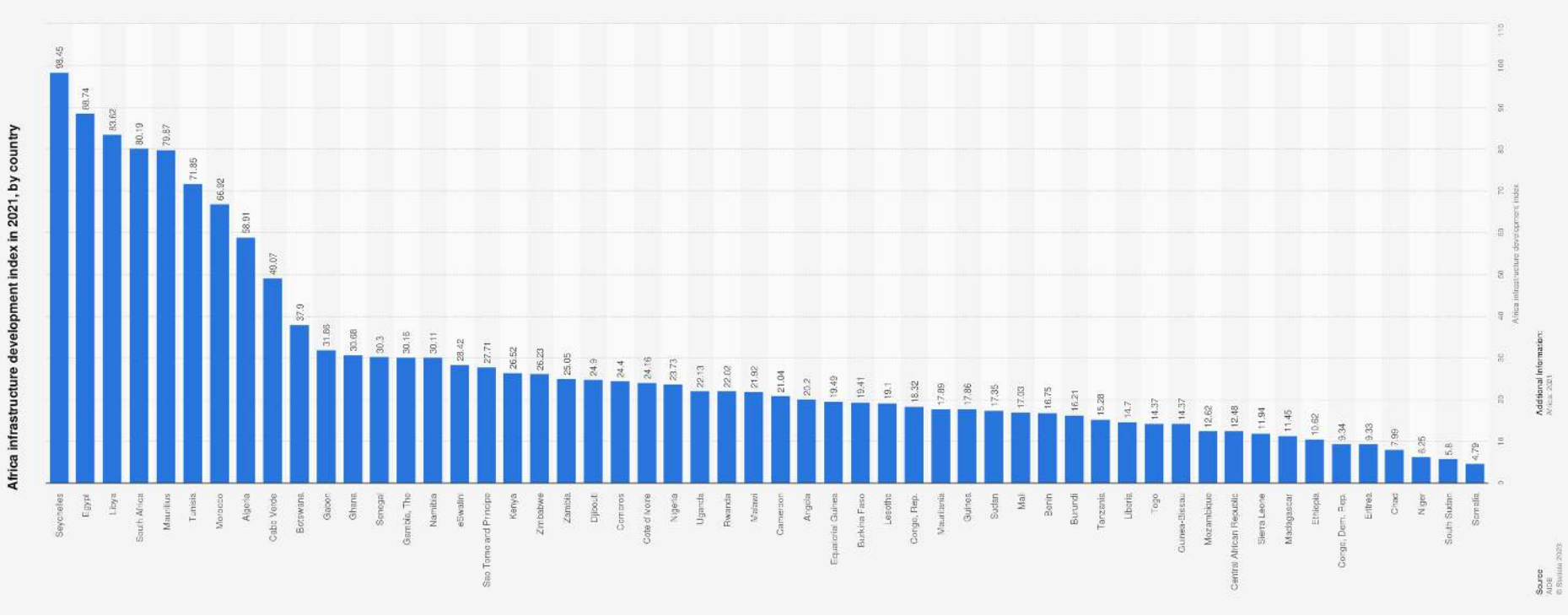
but these cities can become:



Report: worldbank.org/africascities
 #AfricanCities
 Data: World Bank (2017)

Source: World Bank

Infrastructure Development in Africa – Facts & Figures

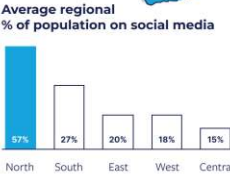
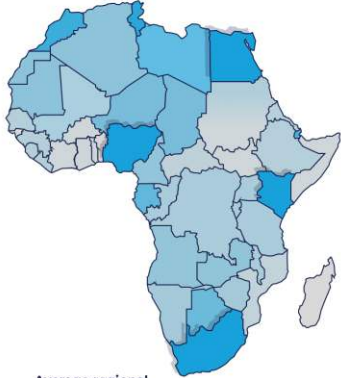


Source: Statista

Infrastructure Development in Africa – Facts & Figures

Internet penetration in Africa

40% of Africa's population has access to the internet versus a global average of 63%



Southern Africa avg. 68%



Northern Africa avg. 64%



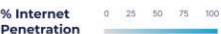
Eastern Africa avg. 26%



Western Africa avg. 43%



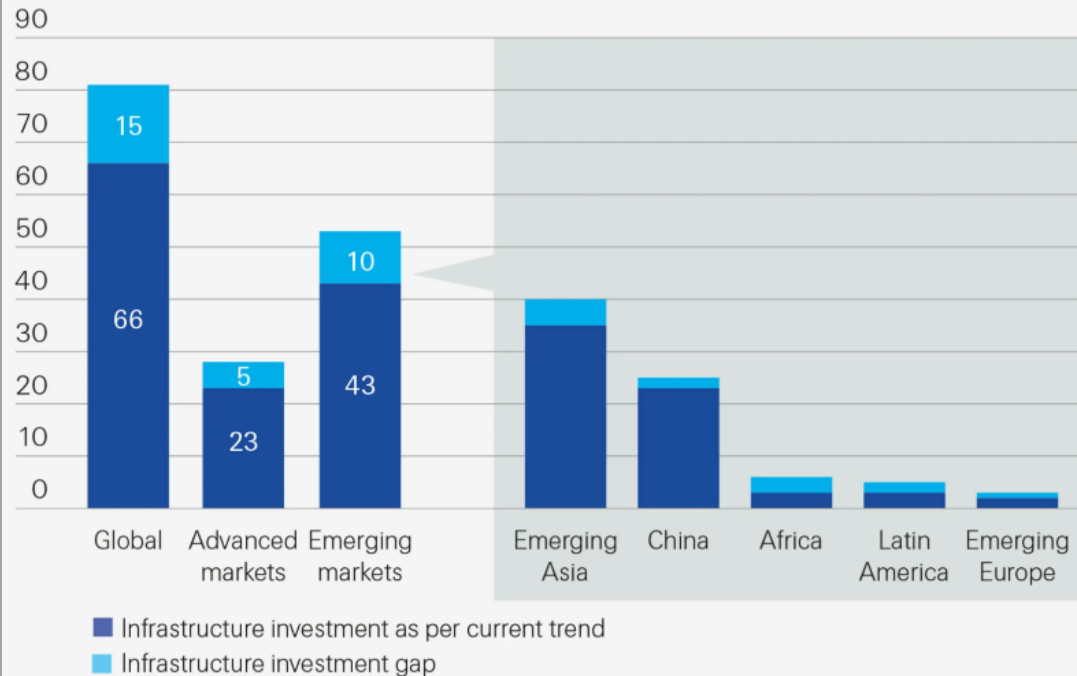
Central Africa avg. 25%



Data Reportal, Kepios, International Telecommunications Union, Informa Tech, Statista

The need for investment in infrastructure

Figure 1: Estimated total infrastructure investments and gap in emerging markets, 2021–2040, in USD trillion



Source: Swiss Re Institute estimates, based on data from Global Infrastructure Hub and Oxford Economics

Infrastructure deficits are not unique to Africa, as the world needs to invest an average of USD 3.3 trillion annually just to support currently expected rates of growth.

Africa's Infrastructural Gap – more than USD 100 billion per year, affecting the living conditions of Africans and the continent's global competitiveness.

The need for investment in infrastructure

- Infrastructure is a crucial driver of development, through its role in stimulating growth
- Developing countries continue to have large infrastructure gaps. According to the World Bank, the Sub-Saharan Africa (SSA) region needs to spend 7.1% of GDP annually until 2030 to close its infrastructure gap, but has only been spending about half that amount
- The African continent needs up to USD 170 billion per year by 2025 to meet its infrastructure needs (*AfDB, 2022*). Two-thirds required for new infrastructure and the remaining one-third for maintenance.
- Currently, around 5%-10% of infrastructure investments in the region are made by the private sector. Boosting private investment in infrastructure has become more urgent than ever as African governments find themselves in increasingly dire fiscal straits due to the impact of the COVID-19 pandemic and, more recently, the global economic slowdown.
- Given high debt levels and reduced fiscal space, there is now more than ever a need to create favorable conditions for the private sector to assume a greater role in infrastructure financing in Sub-Saharan Africa.
- This reinforces the need for institutional investors such as insurance companies, pension funds, and sovereign wealth funds who are said to have more than USD 100 trillion in assets under management globally.

AGENDA

1. THE NEED FOR INVESTMENT IN INFRASTRUCTURE

- Current level of investment in Africa
- Investors with appetite for Africa
- PPP
- Infrastructure investment by insurers and reinsurers across the globe

2. HOW DO REINSURERS INVEST

- What funds can reinsurers invest in?
- Regulatory constraints/incentives
- Current challenges when investing in Africa and mitigation
- Other issues

3. RELEVANCE OF POTENTIAL INVESTMENT FROM REINSURERS

- How much is currently being invested?
- Returns reinsurers expect
- CSR/Sustainability strategy

4. DEVELOPING A BLUEPRINT FOR REINSURERS

- Can reinsurers invest more?
- Encouraging global reinsurers to invest
- Reliance on international funding
- Use of technology to facilitate the funding of development projects

Panelists



Mr Fola Daniel

CEO
FBS Re
Nigeria



Mrs Lety Endeley

Director, Non-Life
Operations
Cica Re
Togo



Mr Habib Karaouli

Founder &
Chairman
CAPSA Capital
Partners
Tunisia



Mr Steven Oluoch

CEO
MNK Re
Kenya

The need for investment in infrastructure



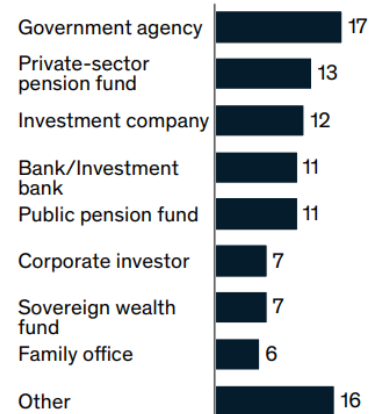
01

THE NEED FOR INVESTMENT IN INFRASTRUCTURE

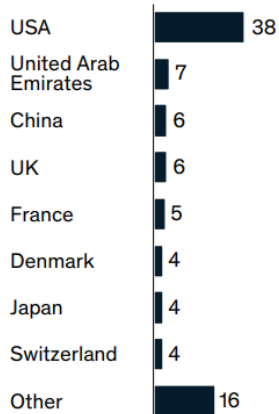
Current level of investment in Africa

- *Investment Gap*
- *Role of Private sector*
- *Public-Private partnerships*

Investors with appetite for Africa by type, %



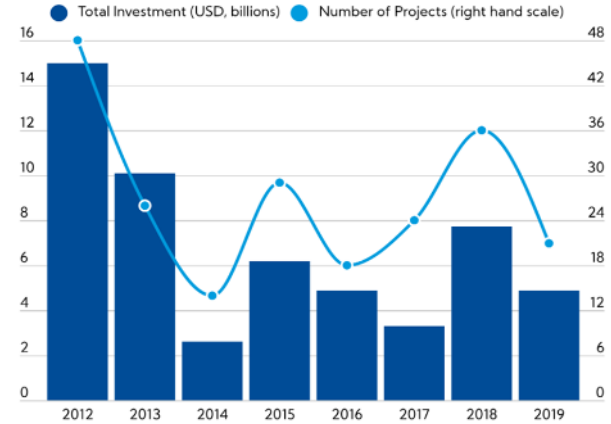
Investors with appetite for Africa by location, %



Source: McKinsey: Solving Africa's Infrastructure Paradox

Downward trend

Investment in infrastructure projects with private sector participation in sub-Saharan Africa fell from \$15 billion in 2012 to \$5 billion in 2019.



Source: Private Participation in Infrastructure (PPI) Projects Database, World Bank.

IMF

Infrastructure investments by Insurers/Reinsurers across the Globe

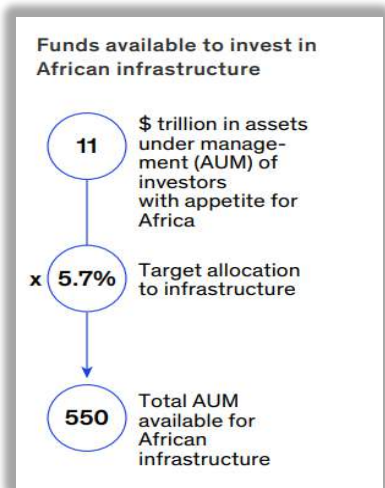
- *Europe / Asia / US*



How do reinsurers invest?

02

What funds can reinsurers invest in?



Source: McKinsey: Solving Africa's Infrastructure Paradox

Investments in infrastructure corporates' equity or debt

Buying and holding government bonds

Professionally managed infrastructure funds

Direct investments in individual projects

Co-investments and co-lending platforms

Regulatory constraints / incentives

- Frameworks
- Incentives
- AfCFTA

Current Challenges / Other issues

- Political / Environmental / Currency
- Planning / feasibility
- Visibility – what does the future hold...?



Relevance of potential investments from reinsurers

03

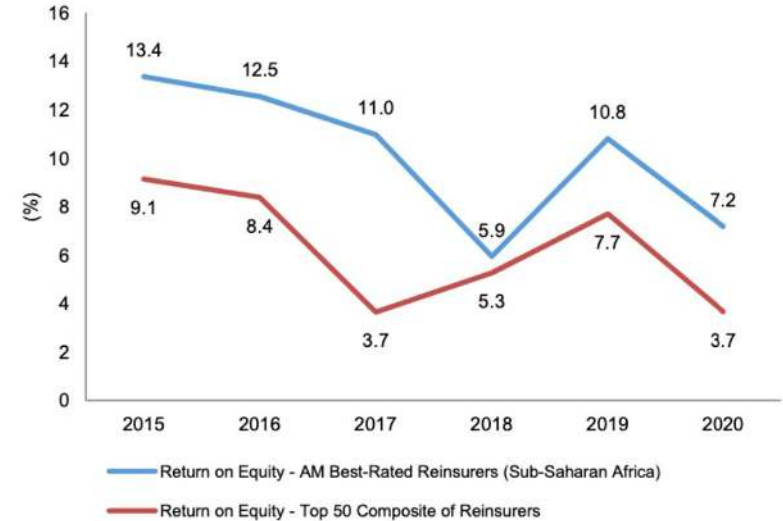
RELEVANCE OF INVESTMENTS FROM REINSURERS

How much do insurers / reinsurers invest currently?

- ✓ ESG
- ✓ CSR
- ✓ Sustainability strategy

What Returns to expect...?

Sub-Saharan Africa – AM Best-Rated Reinsurers, Return on Equity, 2015-2020



Return on equity figures are calculated on a weighted average basis for the purposes of this report.

Sources:  Best's Financial Suite – Global, AM Best data and research

A nighttime photograph of a city street with light trails from cars. The street is illuminated by streetlights, and buildings are visible in the background. A central median with a small bush and flowers separates the two directions of traffic. The overall scene is dark, with the primary light sources being the streetlights and the long-exposure light trails from the vehicles.

Developing a **blueprint** for reinsurers

04

What next...?

Can Reinsurers invest more...?

Reliance on international funding.

Regional Reinsurers / Global Reinsurers

Use of Technology

THANK
YOU

