

Ad-Hoc Expert Meeting on
CAPACITY-BUILDING
FOR THE INSURANCE SECTOR IN AFRCA

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Opening address

by

Mr. James ZHAN

OIC, Division on Investment and Enterprise (DIAE), UNCTAD

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OiC, Division on Investment and Enterprise

Distinguished delegates, ladies and Gentleman,

It is my great pleasure to welcome you to the *Ad-hoc Expert Meeting on Insurance in Africa*. We are fortunate to have with us experts from the industry, especially from Africa, as well as senior government officials participating in this meeting. Thank you all, for taking the time and making the effort to participate. I particularly wish to thank those of you who came a long way. Our Secretary-General, Dr. Supachai, attaches importance to this issue and would have attended this meeting should he be in Geneva today.

Our meeting today is the result of our cooperation with the African Insurance Organization (AIO), and support by African missions based in Geneva. AIO and UNCTAD have been cooperating in the area of insurance for many years, and I am pleased to see high-level participation from the AIO today. More recently, UNCTAD and AIO have together developed five technical assistance projects aimed at addressing the most pressing needs for technical assistance to African governments in the area of insurance. I hope that this meeting will review these five projects and update them if needed, so that our development partners and donors can have a fresh look at these timely and important projects.

UNCTAD is the only body in the UN system that has a specific mandate on insurance. It has been assisting developing countries in this area since the organization's inception in 1964. Over the past decades, the UNCTAD

Insurance Programme has helped many developing countries in strengthening their insurance sectors.

We are all aware of the essential role that insurance plays as a commercial and infrastructural service. It promotes financial and social stability, mobilizes and channels savings, supports trade and entrepreneurial activity, and improves the quality of the lives of individuals. In a fast-globalizing world economy, governments worldwide are faced with challenges relating to the regulatory environment, emerging global issues in the insurance sector and technological innovations. The impact of these trends is perhaps more pronounced in the case of developing countries. While developing countries may benefit from liberalization of the insurance sector, they also need to put in place an efficient and well-functioning institutional and regulatory framework, tailored to their national development policies.

Empirical evidence has shown a correlation between a country's level of development and the extent of insurance coverage. Developed countries tend to have a better developed and better functioning insurance sector both domestically and in terms of insurance exports, as compared to developing countries. This is perhaps most evident when one compares the share of industrialized countries in the world insurance markets, which in 2007 stood at 90% as compared with 10% for emerging markets. Another good indication is the premium volume generated as a percentage of gross domestic product (GDP). For industrialized countries the share was about 9.1% in 2007, whereas for developing countries it stood at 4.3%. It is interesting to note, however, that emerging markets have a higher GDP growth rate than industrialized countries, indicating the substantial potential in emerging markets.

Allow me to turn to the challenges. Challenges for developing countries, including Africa, arise essentially from five aspects:

First is the **impact of insurance liberalization** on developing countries. While liberalization and privatization are likely to lead to the admission of

foreign insurers with substantial financial strength, technological and industry know-how, good risk management and financial management skills, it also raises legitimate concerns for developing countries. One of the principal issues is the security and stability of the insurance sector. Preventing monopolistic position of strong players is another legitimate concern. Other concerns include the possibility of restrictive business practices, possible loss of employment in the case of privatization, and lack of provision of universal service. Therefore, how to maximize the potential benefits and minimize the negative effects of liberation remains a big challenge.

The second area is enhancing the **role of regulatory frameworks**. It is essential to put in place efficient regulatory structures, particularly in the context of insurance liberalization and an evolving global insurance sector. Emerging trends in the global insurance market, particularly those relating to technology, newer financial products and corporate failures have underscored the value of regulation in the insurance sector. Thus, it is important to set up and ensure well-functioning insurance supervisory and regulatory authorities.

The third area relates to the **consistency with international standards and policy coherence** between national policies and international commitments in the insurance sector. Relevant in this context is the examination of issues, such as classification of insurance services, transparency, the scope of the prudential carve out, the exemption for services supplied in the exercise of governmental authorities, among other things. (My colleagues in the UNCTAD Trade Division have been providing technical assistance to developing countries in this respect).

The fourth area relates to the **role of the government as a provider of insurance services**. This is particularly relevant for developing countries and the lower income population groups. In the past, governments in these countries were the main, if not the sole, supplier of insurance services. This has offset the provision of insurance services in non-profitable areas such as agricultural and credit insurance against the supply of insurance services in more profitable areas. This raises two questions for the government: which

areas are important for the government to provide insurance intervention from a social and development perspective, and how is this likely to be financed.

Last, but by no means the least, is **capacity building**. Developing countries typically lack of capacity to formulate sound strategies and policy framework for their insurance sector in line with their overall development objectives. They also lack efficient and effective institutional framework to implement policies and regulate the insurance market. Furthermore, they lack the human capacity and training institutions to meet the skill requirements of the rapidly growth insurance market. All this calls for technical cooperation and capacity-building support by international organizations such as UNCTAD and development partners.

UNCTAD's Insurance Programme provides such technical cooperation and capacity-building support in the five areas of concern. Our meeting today is to address the challenges identified in the African context, and to give consideration to the five technical assistance projects that UNCTAD has developed in response to requests for technical assistance from African countries, formulated through the AIO. We are all encouraged to actively look for ways and means to help African countries strengthen their insurance sectors.

I would also like to invite our development partners and donor countries to give consideration to the five technical assistance projects developed jointly by UNCTAD and AIO. I am sure that their support would not only be very much appreciated by the people of Africa, but also will result in practical and concrete benefits for the industry and social fabric of the African continent.

Ladies and gentlemen, I wish you a successful meeting.

Thank you for your attention.