African Risk Capacity

Eighth Climate Change and Development in Africa Conference (CCDA-VIII)

Addis Ababa, August 2019
Global economic losses from natural disasters in past decade:

- $200 billion

Losses attributable to extreme weather events:

- 75%

100 million people pushed into extreme poverty by 2030 due to climate change.

ARC aims to provide cost-effective contingency funding to protect livelihoods and development gains.

ARC, an African Response to DRM

A Specialised Agency of the African Union, established in 2012, is governed by a Conference of the Parties, a Governing Board and a Secretariat.

ARC was established by the AU to help Member States to improve their capacities to better plan, prepare and respond to extreme weather events and natural disasters.

ARC bring together three critical elements to create a powerful value proposition for its Members and partners:

• **Early Warning:** *Africa RiskView*
• **Preparedness:** Contingency Planning
• **Insurance:** Index-based insurance and risk pooling
• **Accountability:** Evaluation of the response delivery

The ARC Agency’s first financial affiliate, ARC Insurance Company Limited, was established in early 2014 domiciliated in Bermuda.
33 Current ARC Agency Member States

- 33 countries Signatory to the ARC Treaty
- These countries constitute the ARC Conference of Parties (COP)
The Certificate of Good Standing will allow the ARC Agency Member to participate in the ARC Ltd risk pool (i.e. take out insurance coverage with ARC Ltd)

Member States Signs an MoU to receive capacity building and a component of which is to work with ARC Agency to Customize Africa RiskView and develop Contingency Plans for the use of potential insurance payouts

The Board of ARC Agency reviews the Contingency Plans and issues Certificates of Good Standing once a Member Country has met all requirements

Countries become Members of ARC Agency through signing the Establishment Agreement
Programme Achievements to Date
Prog. Devel.: 20 countries with Technical Working Groups

Initiation
Country Strategy & Scoping

Country Development Programme
Capacity Building

Improvement
Global Learning, Process Evaluation & Final Audit Pay-out & Response
Final Implementation Plan and Monitoring

Risk Pool
Participation
Specify when each feature will be delivered

Countries with TWG

<table>
<thead>
<tr>
<th>Year</th>
<th>With TWG (20)</th>
<th>No TWG</th>
</tr>
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<tbody>
<tr>
<td>2014</td>
<td>11</td>
<td>0</td>
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<tr>
<td>2015</td>
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<td>2016</td>
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<td>2017</td>
<td>16</td>
<td>0</td>
</tr>
<tr>
<td>2018</td>
<td>20</td>
<td>0</td>
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Programme Achievements to Date

Prog. Devel.: 19 countries with capacity building

Initiation
Country Strategy & Scoping

Improvement
Global Learning, Process Evaluation & Final Audit

Pay-out & Response
Final Implementation Plan and Monitoring

Risk Pool
Participation
Specify when each feature will be delivered

Country Development Programme
Capacity Building

Countries with capacity building:

- No CB
- With CB (19)

<table>
<thead>
<tr>
<th>Year</th>
<th>Count</th>
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<tbody>
<tr>
<td>2014</td>
<td>11</td>
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<td>2017</td>
<td>16</td>
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<td>2018</td>
<td>17</td>
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### Programme Achievements to Date

#### 40 Insurance Policy Signed (5 replica)

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<thead>
<tr>
<th>Insurance Uptake</th>
<th>Insurance Pay-Out</th>
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<tbody>
<tr>
<td><strong>Total Number of Policies signed</strong></td>
<td>40</td>
</tr>
<tr>
<td><strong>Cumulative Insurance Coverage</strong></td>
<td>$580 M</td>
</tr>
<tr>
<td><strong>Cumulative # of people insured</strong></td>
<td>58 M</td>
</tr>
</tbody>
</table>

- **Mauritania**: $6.3 million
- **Senegal**: $16.5 million
- **Niger**: $3.5 million
- **Malawi**: $8.1 million
Programme Achievements to Date
Evaluation of the Pay-Out

- Institutionalized Payout process evaluation.
- Result-Based Management in place (strengthen accountability and support management decision making)
- Logframe revised to better reflect technical and institutional supports to Member States
Key Challenges

1. Lack of alignment between ARC Agency and ARC Ltd
2. Difficulties for Government to keep up with the payment of the premiums.
3. High turnover in governments;
4. Limited regulatory framework for DRR in the countries; Limited insurance culture in member states.
5. Varying understanding of parametric insurance by member states policy makers.
6. Competition with other instruments supported by some key partners.
**Way Forward**

- **Research and Development**
  - Research needs to be dynamic, applicable and cost efficient
  - **Simplify and Improve (SIM) strategy** is being implemented

- **Premium Financing**
  - Mobilise financial resources towards (ADRiFi) programme
  - Identify active role for partner engagement strategy
  - Donors have been approached to reallocate resources to premium support

- **Insurance Product**
  - **Dynamic and Diversified** Product offering to respond to client need:
    - ARC will begin offering localised insurance contracts on a pilot basis
    - Co – Insurance: Scheme for risk sharing with local insurance companies will also be investigated and piloted where feasible.

- **Capacity Building**
  - **Tailored and Improved** capacity building programme which includes
    - Enhanced Sensitisation of senior political and policy government members
    - Multimedia interactive platform designed to host a holistic training programme; **ARCademy**
Website: www.africanriskcapacity.org

Twitter: @ARCapacity