

ICMIF Sustainability Summit 2023

Creating a Resilience Strategy

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African Risk Capacity (ARC)



MACRO

What? Solutions to address liquidity gaps in public finance in case of disasters

Who? Governments, provinces, cities and development partners

Objectives: Food security and public Infrastructure

MESO

What? Solutions to reduce volatility in productivity and build commercial resilience

Who? Aggregators such as agribusinesses and financial institutions

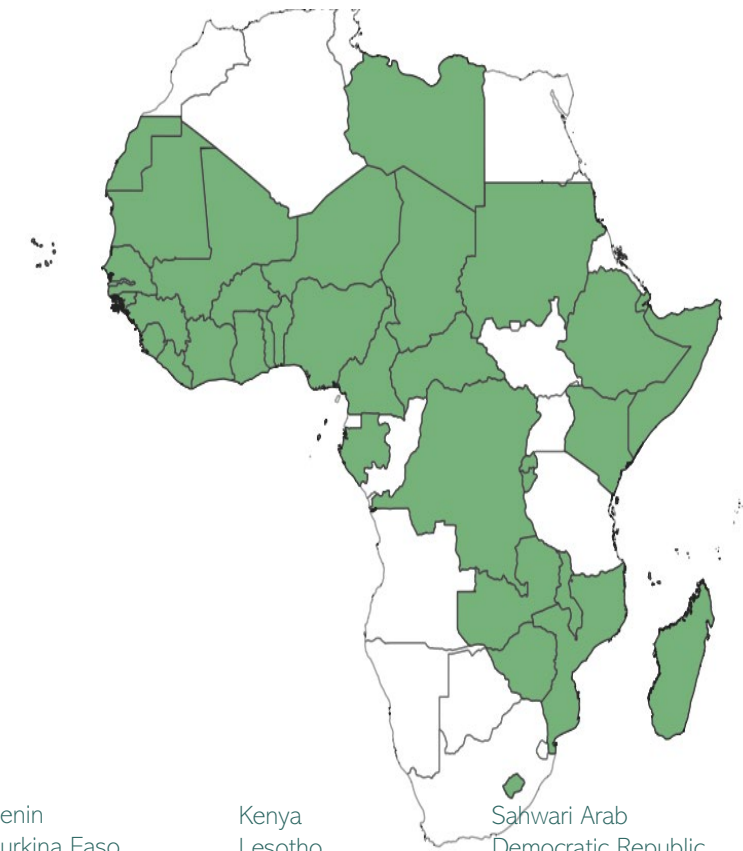
Objectives: De-risking value chains and resilience

MICRO

What? Market driven solution to protect the revenue of individuals

Who? Small holder farmers, producers and individuals through local insurance companies

Objectives: Business continuity and Income protection



- Benin
- Burkina Faso
- Burundi
- Central African Republic
- Chad
- Comoros
- Côte d'Ivoire
- Djibouti
- Gabon
- The Gambia
- Ghana
- Guinea
- Guinea Bissau
- Kenya
- Lesotho
- Liberia
- Libya
- Madagascar
- Malawi
- Mali
- Mauritania
- Mozambique
- Niger
- Nigeria
- Republic of Congo
- Rwanda
- Sahwari Arab Democratic Republic
- São Tomé and Príncipe
- Senegal
- Sierra Leone
- Somalia
- Sudan
- Togo
- Zambia
- Zimbabwe
- Cabo Verde
- Cameroon
- Ethiopia

Why was ARC formed?

What problems was ARC looking to help solve?



- Lack of disaster preparedness
- Ad-hoc post-disaster response
- Absence of pre-arranged financing tools

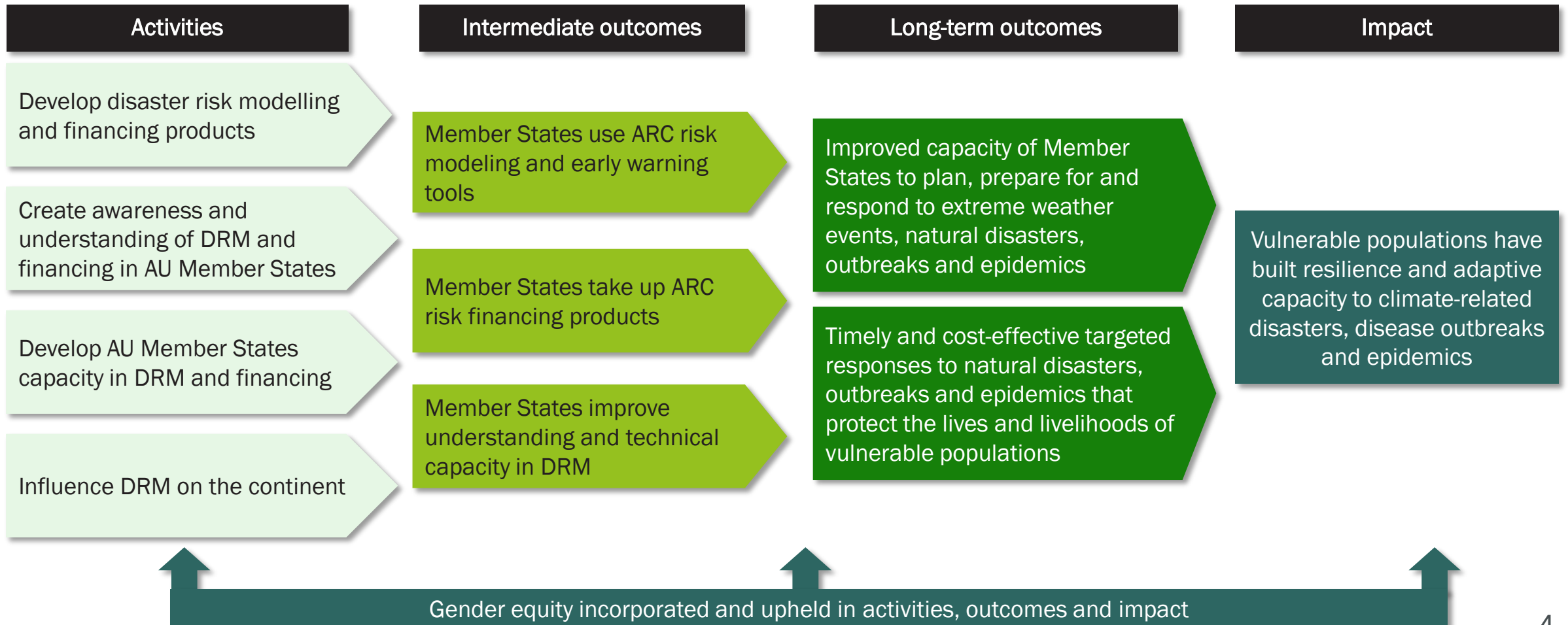


- ✓ Improve disaster preparedness and response by assisting countries to better prepare, plan and respond to disasters
- ✓ Shift from post-disaster response to pre-arranged financing
- ✓ Save lives and livelihoods through early action



Theory of change

The business model was designed to support systems change: “vulnerable populations have built resilience and adaptive capacity to climate-related disasters, disease outbreaks and epidemics”



Engagement with Countries: Prerequisites for Participation in Risk Pool

Training, Knowledge & Experiential exchanges



M&E and Gender Mainstreaming in DRM
Partnership approach (ARC, Govts, NGOs, Humanitarian Actors, Dev Partners)

Benefits of sovereign insurance to finance disasters



Direct welfare benefits

Late response can lead to decreased child nutrition and reduction in income per capita (GDP). Studies showed that the later the response, the more costly the impact on households.



Pre-empt negative coping strategies

Households tend to cope with disasters by selling livestock and productive assets, reducing food consumption, and taking children out of school for example. These responses often have long-term, irreversible and sometimes intergenerational effects.



Reduces the cost of response

According to recent studies, a late humanitarian response costs approximately 7 times that of an early response, and donors could save up to 30% on humanitarian aid spending if funding was provided earlier.



Macro-economic benefits

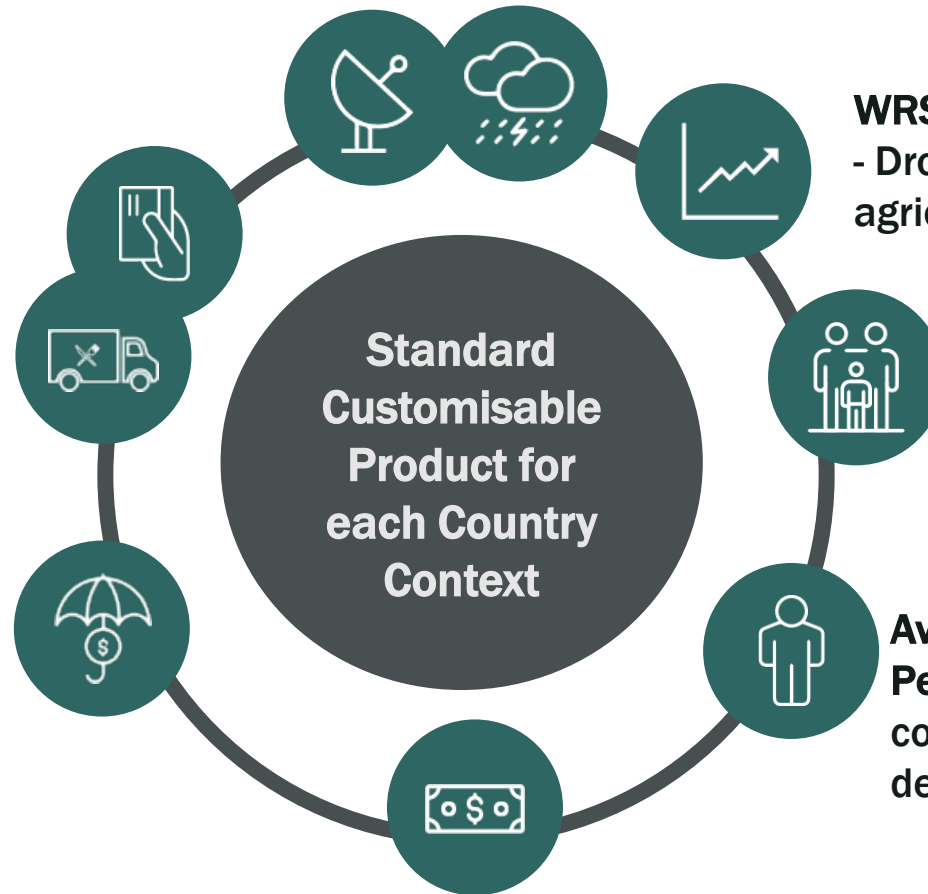
Reduces the need for governments to divert scarce resources away from basic public services therefore protecting development gains. Reduces leakages and improves fiscal discipline and limits budget volatility which contributes to national stability.

Key design considerations in the sovereign macro product

Satellite Rainfall Data/ NDVI
- RFE2, CHIRP, CHIRPS

Contingency Planning
- ARC payout to be used as per the Final Implementation Plan (FIP) to deploy operations

Risk Transfer Parameters
- Attachment
- Exhaustion
- Coverage Limit
- Ceding Percentage






WRSI Index/NDVI
- Drought index based on rain-fed agriculture

Population Affected by Drought Vulnerability Profiling, Income distribution for agriculture

Average Response Cost Per Person Operations plan in contingency plan used to derive this

Modelled Drought Response Cost (MDRC) – Monetary (USD) value for drought impact

Risk reduction, product design and challenges

-  No explicit incentives were incorporated as part of product design
-  An indirect incentive to reduce risk exists due to lower premiums for lower risk
-  Embedded/direct incentives required to drive investment in risk reduction

Challenges

- Lack of a holistic risk layering approach; no other tools to complement insurance
- Unavailability of reliable data for some model parameters
- Absence of enabling political, institutional, and regulatory frameworks



Direct Mechanisms – ARC's Scorecard



Pricing

Variable pricing implied.



Pre-requisites

Pre-approved contingency plan, certificate of good standing.



Investments

Investment guidelines under review



Indirect Mechanisms – ARC's Scorecard



Awareness & Advice

Raise awareness of risks and information to assist with reducing hazards, exposure and vulnerability.

In country Technical Working Group



Social Capital

Build and share capacity for risk modelling, analysis and monitoring.

Early warning systems



Modelling & Data

Build capacity for disaster response and risk reduction through a data and modelling led approach

Africa RiskView adoption as a public good



Collaboration

Engage with multiple stakeholders to attain sustainable development, risk reduction and risk sensitive investment that can contribute to the narrowing of the protection gap

Smart premium subsidies, adaptive social safety nets, risk layering



Vision

The development partner of choice leading innovative Pan-African Disaster Risk Management solutions for climate resilience in Africa

Mission

To promote harmonised resilience solutions for protecting African lives and livelihoods vulnerable to natural disasters caused by climate change and other perils of importance to the continent

Ambition

ARC Member States and their partners provide timely and targeted responses to protect the lives and the livelihoods of vulnerable population against natural disasters



**ARC's Vision,
Mission and
Ambition to
support
Member States**



Tatenda

Thank You