

ARC and A2R (Anticipate, Absorb, Reshape)

Accelerating Action to Resilience

Climate change risks are increasing and therefore, building resilience to climate related hazards is vital to safeguarding development gains and supporting the implementation of the 2030 Sustainable Development Agenda, the Sendai Framework as well as other global agreements.

A global initiative can accelerate action in support of UNFCCC processes related to adaptation. The UN-led A2R initiative will provide a platform for governments, international organisations, businesses and civil society to work in partnership to strengthen climate resilience. As a African-led initiative that embodies the principles of anticipating, absorbing and reshaping risk, ARC looks forward to working with A2R and its partners.

Weather-related disasters are already undermining record growth across the African continent, threatening hard-won development gains and vulnerable populations. Increasing climate volatility will counteract investments being made by countries to mitigate, prepare for and manage current weather risks. Climate change is particularly threatening to the future of African agriculture, which impacts global food security and the economic livelihoods of hundreds of millions of Africans.

What is A2R?

A2R is global, United Nations led, multi-stakeholder initiative that seeks to accelerate action on the ground to enhance climate resilience of the most vulnerable by 2020. It provides a platform for governments, international organizations, businesses and civil society to work in partnership to strengthen climate resilience. Collective action will focus on three capacities fundamental to resilience – Anticipating, Absorbing, Reshaping (A2R).

What are the 5 year strategic goals of A2R?

- Strengthen capacity to anticipate climate-related hazards, absorb shocks and reshape development pathways;
- Provide a global platform to increase the impact of resilience action by coordinating activities around a collective ambition;
- Mobilize financing and other resources for resilience building;
- Create and operationalize partnerships between stakeholders, including the private sector;
- Catalyse research, development and testing of new tools for resilience. systems that enable African countries to meet the needs of people harmed by natural disasters.

How does ARC embody the principles of A2R?

ARC provides its Member States with the tools they need to quantify and manage natural disaster risk using A2R principles:

Anticipate

ARC's proprietary risk modelling and early warning software platform, Africa RiskView, uses satellite-based data to estimate the impact of weather events on vulnerable populations – and the response costs required to assist them – before a hazard season begins, and as it progresses.

Index-based insurance payouts, based on Africa RiskView data, are triggered at or before harvest time if the rains are poor in the case of drought, or as soon as a severe flood or cyclone have occurred in the case of floods or tropical cyclones.

This early financing immediately following a weather shock, linked to predefined national contingency plans, is key to improving the efficiency of disaster response, and to building the capacity of countries to lead their own responses and reduce their reliance on the international appeals process for assistance.

In addition to providing 'hard' triggers for ARC's insurance mechanism, Africa RiskView also allows countries to monitor and analyse rainfall throughout the continent in near-real time and estimate the impact of weather developments on vulnerable populations in-season, thus providing ARC Member States and Partners with an innovative early warning tool.

In June 2015, ARC was officially recognized by G7 leaders as an existing and scalable institution to reach people vulnerable to extreme weather events. By 2020, ARC aims to reach as many as 30 countries with nearly US \$1.5 billion of coverage against drought, flood and cyclones.

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Absorb

While countries are taking action to manage today's weather risk, the World Bank estimates an adaptation investment cost need of \$14-17 billion per year over the period 2010-50 for sub-Saharan countries to adapt to an approximately 2°C warmer climate forecast for 2050. ARC was specifically requested by the African Union Conference of Ministers of Finance to explore innovative and diverse ways to address the challenge of providing funding for climate adaptation across the continent.

The Extreme Climate Facility (XCF) will be a new financial instrument that will secure direct access for African governments to climate finance to respond to the impacts of increased climate volatility. To make ARC sustainable – with insurance products that are effective and affordable for member states in the long-run – and protect investments to date -- ARC must help its countries secure the funds required to adapt.

The XCF will be a data-driven, multi-year vehicle that will provide financial support to ARC Member States to help them build climate resilience and be financially prepared to undertake greater adaptation measures should extreme weather event frequency and intensity increase in their region. Countries that are already managing their current weather risks through ARC Ltd will be eligible to participate in the XCF.

As an African-led initiative, XCF is designed to access private capital, diversifying the sources and increasing the amount of international funding available for climate adaptation in Africa. The XCF will utilize the last 30 years of Africa's meteorological climatology as a baseline. It will establish a multi-hazard Extreme Climate Index (ECI) for each African climatic region which will track increases in the frequency and magnitude of extreme climate events over and above the baseline.

When the index exceeds pre-determined thresholds, countries will automatically receive payments from the XCF to support their pre-approved climate adaptation plans. Should they occur, payments would start small and increase with subsequent triggers, growing alongside increasing evidence of observed deviations from the baseline climatology.

Reshape

ARC Member States currently pay insurance premiums through national budget processes and receive payouts for pre-approved contingency plans. The share of coverage against total disaster funding requirements ranges from less than 10% to 30%, with the remainder largely remaining with the UN appeals process.

While African states are evidently willing to allocate more domestic resources to disaster funding, with the ARC's mutual nature and diverse portfolio providing an attractive value proposition, states will continue to need international support until they can fully manage their own risk. For this reason ARC has introduced a replica coverage option for its Member States, where UN Agencies and other humanitarian actors take out matching insurance policies to help countries scale their coverage and build response capacity.

By matching country policies, international resources will be used more cost effectively through participation in ARC's government-led risk management system, while doubling the coverage of climate risk insurance. Countries lacking financial and operational capacity for greater coverage expansion beyond that purchased by themselves would benefit from UN Agencies and other humanitarian actors providing both increased insurance-based funding and scaled, coordinated and timely operational execution.

Through insurance and its in-country capacity building programme, ARC provides expertise to and incentives for governments to invest in their emergency planning and response capacities. The payment of premiums from the national budget is simply the last step in a process of building both financial and political ownership and accountability.

In order properly to align incentives, countries are only be eligible to receive matching insurance after their second year of participation in the ARC insurance system. At a time when the humanitarian funding gap continues to widen, replica coverage creates the opportunity of managing predictable climate risks such as drought through anticipatory system like ARC while freeing up scarce funds for complex risks that cannot be easily managed by government nor financed by insurance-like structures.