
ARC/COP4/D025.2901_16
Fourth Session of ARC Conference of the Parties

22-23 January 2016
Addis Ababa, Ethiopia
Opening Remarks

1. The fourth session of the Conference of the Parties was convened by the Director General of the African Risk Capacity Agency (ARC Agency), on behalf of the Chairperson of the third session of the Conference of the Parties (the Government of the Republic of Guinea), at the Headquarters of the African Union, in Addis Ababa, Ethiopia. The selection of the same location for two consecutive years was motivated by the positive impact the third session of the Conference of the Parties had on strengthening linkages between the ARC Agency and the African Union. The Meeting which took place from 22-23 January 2016, recorded the participation of the following Member States of the ARC Agency: Burkina Faso, Burundi, Chad, Djibouti, Gabon, The Gambia, Guinea, Kenya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Nigeria, Rwanda, Sahrawi Arab Democratic Republic, Senegal and Zimbabwe; and the following other Member States of the African Union: Libya\(^1\) and Zambia. A list of the attendees is attached hereto as Annex 1.

2. The Conference of the Parties was formally opened by her Excellency Ambassador Sidibe Fatoumata Kaba, on behalf of the Government of Guinea, Chair of the third session of the Conference of the Parties. Ms. Sidibe expressed her gratitude and deep appreciation to the Conference of the Parties for entrusting Guinea with the honor of presiding at the Conference of the Parties in 2015. Ms. Sidibe highlighted that the arrival of Mr. Mohamed Beavogui, the first regular term Director General of the ARC Agency, marked a maturation phase of the institution and that Guinea is proud to contribute to this transition with one of its nationals. She further stated that Guinea eagerly anticipates ARC’s evolution as a leading pan-African institution, particularly in this period when the African continent is strongly affected by natural disasters and especially drought. Citing the success story of ARC during its first years of operation, Ms. Sidibe invited the Director General to brief the Conference of the Parties on the development of the outbreak and epidemic insurance product requested by the Conference of the Parties during its third session.

3. On behalf of the Executive Director of the World Food Programme (WFP), Ms. Ertharin Cousin, Mr. Thomas Yanga, the WFP Representative to the African Union Commission and the United Nations Economic Commission for Africa addressed the Conference of the Parties recalling the enormous increase in the global cost of emergency responses in 2015, and noting that less than 50% of the needs were met. He expressed how proud he was as an African of the creation of ARC, an innovative institution that leverages Africa’s limited domestic resources effectively to meet the needs of vulnerable people touched by drought currently, and soon, by floods, cyclones, and epidemics. Mr. Yanga informed the Conference of the Parties of the joint presentation ARC and WFP will be making at the World Humanitarian Summit in May, in Istanbul, on the success of the ARC Agency, with the aim of encouraging other regions to replicate what Africa has achieved. He further mentioned the Replica Coverage initiative

\(^1\) Libya signed the Agreement for the Establishment of the ARC Agency with reservations.
through which WFP country offices will be able to match insurance policies of the African Risk Capacity Insurance Company Limited (ARC Ltd) Members. Such initiative will double the number of people assisted through ARC-funded early interventions, and begin to bring the world’s largest humanitarian relief agency into an African-led disaster risk management system. Mr. Yanga finally expressed his hope that the positive experience of WFP with the African Union in the design and the establishment of ARC will encourage other UN organizations to redefine their relationships with the continental body and its member states, not only in humanitarian affairs, but also in general economic development across all sectors.

4. Dr. Lars Thunell, Chairperson of ARC Ltd Board of Directors, welcomed and congratulated the new Director General of the ARC Agency, Mr. Mohamed Beavogui, on taking over the responsibilities and complexities of leading an important Agency of the African Union. He expressed how privileged he felt to have served as the founding Director of ARC Ltd and informed the Conference of the Parties of the full composition of ARC Ltd Board of Directors with the arrival of four new directors: Mr. Amadou Diallo from Senegal; Mr. Dele Babade from Nigeria; Mr. Vincent Rague from Kenya; and Dr. Richard Wilcox former Director General a.i of the ARC Agency. Dr. Thunell briefly presented the two successful inaugural years of activities of ARC Ltd including the first risk pool with four countries insured against drought and three payouts and the second risk pool with three additional countries covered for drought. He further briefly highlighted ARC’s progress towards developing products for new perils, and services intended to strengthen the capacity of ARC Ltd to serve the Member States’ requests and needs. Dr. Thunell stated that the high-profile media coverage and interest in ARC expressed by the development community, particularly at the 21st Conference of the Parties (CoP21) of the United Nations Framework Convention on Climate Change creates critical momentum and a key opportunity for ARC to leverage funding support and cooperation with other international organizations. Mentioning his enthusiasm for ARC Agency and ARC Ltd joint Board meeting taking place the following day, Dr. Thunell stressed that this meeting constitutes an important opportunity to strengthen interaction and cooperation between the two entities.

5. The new Director General of the ARC Agency Mr. Mohamed Beavogui expressed his gratitude for the trust the Conference of the Parties bestowed upon him to lead ARC. He committed himself to delivering results for African countries and asked for Member states’ support to drive Africa’s transformation in managing natural disasters. Mr. Beavogui recognized the exceptional roles played by his predecessor Dr. Richard Wilcox and the ARC Agency Chief of Staff, Ms. Fatima Kassam, who will be embarking on a new experience, as well as by ARC personnel that started this journey to turn a vision for the continent, into a reality. The Director General commended the countries that took the leap and purchased insurance in the first year of ARC operations, achieving a major step in transforming the disaster response paradigm on the continent. Mr. Beavogui also recognized the great support provided by ARC partner organizations including the German Federal Ministry for Economic Cooperation and Development (BMZ), the United Kingdom Department for International Development (DFID), the Swiss Agency for Development and Cooperation (SDC), the Swedish International Development Cooperation Agency (SIDA), the KfW German Development Bank, the
Rockefeller Foundation, the United States Agency for International Development (USAID), and WFP. The Director General informed the Conference of the Parties of the overwhelming support ARC received from leading institutions on climate change and the G7 countries at the CoP 21. The Director General concluded by inviting Member States to continue to work hard, all together in order to respond to the negative impact of natural disasters.

6. On behalf of the Chairperson of the ARC Agency Governing Board (the Board) Dr. Ngozi Okonjo-Iweala, ARC Board Member Professor Peter Mwanza expressed his deep gratitude for the confidence the Conference of the Parties has placed in the Board to guide the Agency. Professor Mwanza briefed the Conference of the Parties on the work that the Board has been doing since its election. He further informed the Conference of the Parties that the Board would be overseeing the final operational audits of the three payouts made by ARC Ltd to Mauritania, Niger and Senegal, and would report to the Conference of the Parties in due course. Professor Mwanza particularly highlighted the imperative need of intensified efforts at the political and financial levels, on the continent but also globally, to expand the success of ARC. He finally assured the Conference of the Parties that the Board will be always fully dedicated to fulfilling the duties and obligations assigned to them.

7. H.E. Rhoda Peace Tumusiime, the African Union Commissioner for Rural Economy and Agriculture, welcomed the Conference of the Parties to the Headquarters of the African Union stating that, while the ARC Agency started as a dream, it is now a reality, and it could not have been created without the support and commitment of Member States. H.E Tumusiime stressed the importance of the timing of the fourth session of the Conference of the Parties, which was taking place at a time when the African Union’s plans are being shaped, and could allow ARC deliberations to be mainstreamed into broader African Union deliberations, steering the direction of the continent. She assured the Conference of the Parties that the African Union Commission will continue to support the growth of ARC. She further expressed her gratitude to ARC’s partners and to WFP in particular, the technical agency that initiated the idea of ARC. Highlighting the importance of seeing the impact of ARC on African citizens and the work undertaken at the country level to mitigate the effects of drought, flood and other hazards, the Commissioner specified that risk mitigation should be strongly supported by capacity building. She finally wished the delegates fruitful deliberations and a productive meeting.

Consideration of Credentials

8. The Conference of the Parties accepted the credentials of the following delegations in accordance with the recommendations of the Credentials Committee: Burkina Faso, Burundi, Chad, Djibouti, The Gambia, Guinea, Kenya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Sahrawi Arab Democratic Republic, Senegal and Zimbabwe.
Election of the Bureau

9. The Conference of the Parties elected by consensus the following as Members of the Bureau, as provided for in Article 12.4 of the Agreement for the Establishment of the African Risk Capacity Agency (the Establishment Agreement), and decided that the Bureau would also serve as the Credentials Committee of the Conference of the Parties:

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<thead>
<tr>
<th>Role</th>
<th>Name</th>
<th>Country, Region</th>
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<tbody>
<tr>
<td>Chairperson</td>
<td>Ms. Erica Maganga</td>
<td>Malawi (South)</td>
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<tr>
<td>1st Vice Chairperson</td>
<td>Mr. Mohameden Zein</td>
<td>Mauritania (North)</td>
</tr>
<tr>
<td>2nd Vice Chairperson</td>
<td>Mr. James Oduor</td>
<td>Kenya (East)</td>
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<tr>
<td>3rd Vice Chairperson</td>
<td>Mr. Keumaye Ignegongba</td>
<td>Chad (Central)</td>
</tr>
<tr>
<td>Rapporteur</td>
<td>Mr. Hien Sitegne</td>
<td>Burkina Faso (West)</td>
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Remarks of the Chairperson

10. The incoming Chair of the Conference of the Parties, Ms. Erica Maganga of the Republic of Malawi thanked the outgoing Chairperson of the Conference of the Parties for the work accomplished in 2015. She further expressed on behalf of the Republic of Malawi her appreciation and honour at being entrusted to chair the fourth session of the Conference of the Parties.

Adoption of the Agenda

11. The Conference of the Parties adopted the Agenda and Programme of Work for its meeting. The Agenda is enclosed as Annex 2 to this Report.

Address of the Director General

12. Mr. Beavogui described his vision for ARC in the coming years, which includes increasing the insurance coverage offered by ARC to reach 30 countries by 2020 with 2 billion dollars in insurance coverage, indirectly insuring 150 million vulnerable people on the African continent. ARC will have four main objectives in providing services to Member States: Dynamic and Applied Research and Development; Context Specific Early Warning Systems; Holistic Risk Management; and Climate Adaptation Finance and Scaling Successful Operations. These will be reflected in the ARC results-based strategic framework that the Director General is developing, and which will guide the Agency’s work until 2020.

13. The Director General further briefed the Conference of the Parties on the development of new insurance products including tropical cyclone and flood insurance products intended to be available for countries in 2016 and 2017 respectively. He also briefed delegates on the development of the Extreme Climate Facility (XCF) and stressed the importance of such a mechanism to secure additional funding for ARC Member States to provide direct access to countries to finance climate change adaptation projects. The Director General briefed the delegates on the progress achieved towards developing an Outbreak and Epidemic insurance product and the research and development phase that is intended to start in the next month.
14. The Director General informed attendees about the development of new partnerships including the Licensing for Development initiative with the ARC financial affiliate, ARC Ltd, which will test the use of *Africa RiskView* Software for commercial purposes. Such projects will allow *Africa RiskView* to be used more extensively to potentially support transformative investments in Africa. He also informed participants about a potential regional cooperation with the African Development Bank (AfDB) with whom a memorandum of understanding, detailing possible cooperation in the areas of capacity building, developing working groups, and support for country participation, is currently under negotiation. The Director General asked for the support of Member States in order to strengthen relations with the AfDB. He finally mentioned potential cooperation with international financial institutions such as the International Fund of Agricultural Development (IFAD) and the World Bank.

15. The Conference of the Parties congratulated the new Director General on his election and the exceptional quality of his report. They strongly expressed their enthusiasm and interest in flood and tropical cyclone insurance products in particular, and new ARC initiatives in general.

**Impact of Sea Level Rise**

16. Delegations of The Gambia and Nigeria requested the ARC Agency to explore opportunities to assist vulnerable coastal populations facing the negative impact of sea level rise caused by climate change.

**Reports and Briefings for Information**

17. The Conference of the Parties received the following reports and briefings:

   a. Presentation by a Member of the ARC Agency Governing Board of the Report of the ARC Agency Governing Board to the Conference of the Parties, as required by the Establishment Agreement, Article 15, paragraph 1 (q);

   b. Report of the Chairperson of the Board of Directors of the African Risk Capacity Insurance Company Limited (ARC Ltd) to the Conference of the Parties regarding the activities of ARC Ltd in 2015 including: (i) the formation of the second insurance pool; and (ii) insurance payouts for 2015/2016;

   c. Briefings by Mauritania, Niger and Senegal on the use of ARC Ltd insurance payouts in their countries;

   d. Report of the Director General on ARC-funded Drought Response in the Sahel in 2014/2015, presented by the ARC Chief of Contingency Planning;

   e. Briefing on the 2016 ARC Agency Programme of Work and Budget;

   f. Briefing on suggested amendment to the Rules of Procedure of the Conference of the Parties;
g. Briefing on the suggested amendments to the Compliance Rules;

h. Briefing on the Escrow Account Rules and Procedures; and

i. Briefing by the Legal Counsel of the African Union Commission on the importance of Treaty ratification to allow ARC Agency to become fully functional.

Decisions of the Conference of the Parties

18. The Conference of the Parties, considering the items on its agenda as well as the recommendations made by the meeting of the Senior Government Officials:

The Report of the Governing Board
a. Took note of the Report of the ARC Agency Governing Board and supported the establishment of expert advisory panels, including experts from the African continent to advise the Board on a range of technical issues.

Difficulties encountered during payout implementation
b. Took note of the difficulties that were encountered by Niger and Senegal regarding ARC Ltd payout implementation and requested the Secretariat of the ARC Agency to work with member states to find appropriate alternatives for more effective internal channeling of funds after an ARC Ltd payout has been disbursed to the country.

Amendment to the Rules of Procedure of the Conference of the Parties
c. Adopted the suggested amendment to the Rules of Procedure of the Conference of the Parties, clarifying the credentials required by ARC Member State delegations. The amendment states that credentials for delegations to the Conference of the Parties may be authorized by the Head of State, Head of Government, Minister of Foreign Affairs, Minister of Finance or the Minister Responsible for ARC activities in the country, and that permanent representatives to the African Union may represent their countries without additional credentials. The Rules of Procedure incorporating the suggested amendment are included hereto as Annex 3.

Programme of Work and Budget
d. Adopted the Programme of Work and Budget for 2016, prepared and submitted to the Conference of the Parties by the Secretariat as required by the Establishment Agreement, Article 17, paragraph 5(c), and attached hereto as Annex 4.

e. Authorized an extraordinary extension of the Programme of Work and Budget, in order to allow flexibility in the scheduling of its next meeting. This extension will enable the ARC Agency to continue operations through the first quarter of 2017, if necessary.
**Selection of Governing Board Members**

f. Reappointed Professor Peter Mwanza\(^2\), of Malawi, as Member of the Governing Board for the Southern African Seat for a three-year term and appointed Dr. Andrew Daudi\(^3\), of Malawi, as the Alternate Member of the Governing Board for the Southern African Seat for the same term.

g. Appointed Mr. Birama B. Sidibé\(^4\), of Mali, and Honorable Pa Ousman Jarju\(^5\), of The Gambia, as Member and Alternate Member of the Board, respectively, for the West African seat for a three-year term.

h. Expressed their congratulations to the newly appointed Members and Alternate Members of the Board.

**Amended Compliance Rules**

i. Adopted the amended Compliance Rules attached hereto as Annex 5 and requested that the Secretariat review the Compliance Rules to ensure consistency.

**Rules and Procedures for Situations in Which a Government May Not Be Able to Receive an ARC Ltd Insurance Payout that It Is Due**

j. Decided that the Conference of the Parties reconsider at its next session, rules and procedures for situations in which a government may not be able to receive an ARC Ltd insurance payout that it is due, and that the ARC Secretariat provide proposals for rules for such situations so that ARC Member States may consider the proposals well before the meeting.

**Treaty Signature and Ratification**

k. Recalled the decision of the Third Meeting of the Conference of the Parties, urging all signatory states to ratify the Establishment Agreement and deposit the instrument of ratification with the Chairperson of the African Union Commission, and decided to establish a twelve month timeline for ARC Member States to ratify the Establishment Agreement, by January 2017.

l. Recognized the efforts of Mauritania in becoming the first country to ratify the Establishment Agreement, and urged Mauritania to deposit the instrument of ratification with the Chairperson of the African Union Commission as soon as possible.

m. Agreed that ARC Member States should engage at the highest levels within their countries, the African Union, including Heads of State, and regional entities to support the ARC Agency and further its mission.

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\(^2\) Professor Peter Mwanza has already served a first term of two years as a member of the ARC Agency Governing Board and is the former Minister of Agriculture and Food Security of Malawi.

\(^3\) Dr. Andrew Daudi is the former Principal Secretary for the Ministry of Agriculture and Food Security of Malawi.

\(^4\) Mr. Birama B. Sidibé is the former vice-President of the Islamic Development Bank

\(^5\) Honorable Pa Ousman Jarju is the Minister of Environment, Climate Change, Forestry, Water and Wildlife of The Gambia.
n. Commended the efforts made by the subcommittee of the Permanent Representatives’ Committee of the African Union on the Special Fund for Emergency Assistance for Drought and Famine in Africa, which in its report referred to the need to increase awareness of African Union Member States to sign and ratify the ARC Establishment Agreement.

MoU Signature

19. During the fourth session of the Conference of the Parties, the Director General of the ARC Agency signed Memoranda of Understanding (MoUs) with the governments of Chad and The Gambia, pursuant to which ARC Agency will work with Chad and The Gambia on the Programme Workplan for drought.

Closing Remarks

20. The Conference of the Parties expressed its deep appreciation to the African Union for hosting its fourth session at the beautiful African Union Headquarters.

21. The Conference of the Parties thanked the Director General of the ARC Agency and ARC staff for efficiently organizing the fourth session of the Conference of the Parties.

22. The Conference of the Parties decided that its fifth session should take place between November 2016 and March 2017. The ARC Agency Secretariat was requested to circulate the criteria for hosting a session of the Conference of the Parties to all ARC Member States. Countries that wish to host the fifth session of the Conference of the Parties should communicate their interest to the ARC Agency Secretariat.

23. The Chairperson of the Conference of the Parties closed the meeting by thanking all participants for their participation and the quality of the work, wishing the delegations a safe journey home.
## Annex 1

List of Participants to the Fourth Session of the Conference of the Parties of the African Risk Capacity Agency

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>NAME</th>
<th>TITLE</th>
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<tbody>
<tr>
<td>Burkina Faso</td>
<td>Tinga Ramde</td>
<td>ARC Programme Supervisor</td>
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<tr>
<td></td>
<td>Hien Sitegne</td>
<td>ARC Government Coordinator</td>
</tr>
<tr>
<td>Burundi</td>
<td>Desire Niyiburana</td>
<td>DAF – SEP/CNPS</td>
</tr>
<tr>
<td>Chad</td>
<td>Keumaye Ignegongba</td>
<td>Deputy Secretary General, Ministry of Planning and International Cooperation</td>
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<tr>
<td></td>
<td>Halima Soungui</td>
<td>Press Attaché, Embassy of Chad</td>
</tr>
<tr>
<td>Djibouti</td>
<td>Ahmed Mohamed Madar</td>
<td>Executive Secretary of Disasters and Risk Management</td>
</tr>
<tr>
<td>Gabon</td>
<td>Dr. Willy Leonel Souo</td>
<td>Counsellor, Embassy of Gabon in Ethiopia</td>
</tr>
<tr>
<td>The Gambia</td>
<td>Ousman Sowe</td>
<td>Permanent Secretary, Ministry of Environment, Climate Change, Water and Parks</td>
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<td></td>
<td>Amie Kolleh Jeng</td>
<td>Budget Officer, Ministry of Finance and Economic Affairs</td>
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<td></td>
<td>Jallow Mawdo Amadou</td>
<td>Regional Disaster Coordinator, National Disaster Management Agency</td>
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<td></td>
<td>Malang Jatta</td>
<td>Senior Policy Analyst, Office of the President</td>
</tr>
<tr>
<td>Guinea</td>
<td>Fatoumata Sidibe</td>
<td>Ambassador, Embassy of Guinea</td>
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<tr>
<td>Kenya</td>
<td>James Okoth Oduor</td>
<td>ARC Programme Supervisor and CEO for NDMA</td>
</tr>
<tr>
<td>Libya</td>
<td>Abdulrahim Elabed</td>
<td>Counsellor, Embassy of Libya</td>
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### MADAGASCAR

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<thead>
<tr>
<th>Name</th>
<th>Position/Title</th>
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<tbody>
<tr>
<td>Charles Clement Severin</td>
<td>Special Advisor to the Prime Minister Rakololahy</td>
</tr>
<tr>
<td>Harilala Onintsoa Raoilisoa</td>
<td>Director of Budget Planning &amp; Framework, Ministry of Finance and Budget</td>
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### MALAWI

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<thead>
<tr>
<th>Name</th>
<th>Position/Title</th>
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<tbody>
<tr>
<td>Erica Maganga</td>
<td>Principal Secretary, Ministry of Agriculture</td>
</tr>
<tr>
<td>Gift Mafuleka</td>
<td>Deputy Director, Disaster Management Department</td>
</tr>
<tr>
<td>Alex Namaona</td>
<td>Director of Planning, Agriculture Department</td>
</tr>
<tr>
<td>Carolyn Tithokoze Samuel</td>
<td>Assistant Director, Ministry of Finance</td>
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<tr>
<td>Hastings Ngoma</td>
<td>ARC Government Coordinator</td>
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### MALI

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<tr>
<th>Name</th>
<th>Position/Title</th>
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<tbody>
<tr>
<td>Sidi Almocatar Oumar</td>
<td>Director of Treasury, Ministry of Economy and Finance</td>
</tr>
<tr>
<td>Dicko Bassa Diane</td>
<td>Commissariat à la Sécurité Alimentaire de Mali</td>
</tr>
<tr>
<td>Fafre Camara</td>
<td>Ambassador, Embassy of Mali</td>
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<tr>
<td>Mahamane Dra</td>
<td>Advisor, Embassy of Mali</td>
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### MAURITANIA

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<th>Name</th>
<th>Position/Title</th>
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<tbody>
<tr>
<td>Mohamed Ould Ahmed Salem</td>
<td>Food Security Commissioner, CSA</td>
</tr>
<tr>
<td>Zein Mohameden</td>
<td>ARC Programme Supervisor /Chargé de mission, CSA</td>
</tr>
<tr>
<td>Moustapha AbdallahSi</td>
<td>ARC Government Coordinator/Chargé de mission, CSA</td>
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### MOZAMBIQUE

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<tr>
<th>Name</th>
<th>Position/Title</th>
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<tbody>
<tr>
<td>Xavier Chavana</td>
<td>Deputy National Director, Ministry of Economy and Finance</td>
</tr>
<tr>
<td>Silvestre Alfredo Uqueio</td>
<td>Monitoring and Planning Officer, National Institute of Disaster Management</td>
</tr>
<tr>
<td>Casimiro Abreu</td>
<td>Deputy Director General, National Institute of Disaster Management</td>
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### NIGER

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<tr>
<th>Name</th>
<th>Position/Title</th>
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<tbody>
<tr>
<td>Mahamane Boulama Goni</td>
<td>Permanent Secretary, National Mechanism for the Prevention and Management of Disasters and Food Crises</td>
</tr>
<tr>
<td>Adamou Moumouni</td>
<td>Technical Advisor, Ministry of Economy and Finance</td>
</tr>
<tr>
<td>Abdoullahid Issaka Sountalma</td>
<td>Insurance Inspector, Ministry of Economy and Finance</td>
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<td>Country</td>
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<tr>
<td><strong>NIGERIA</strong></td>
<td>Bako Yacouba</td>
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<td>Felix Obidi</td>
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<td><strong>RWANDA</strong></td>
<td>Clementine Uwamuguha</td>
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<td><strong>SAHRAWI ARAB REPUBLIC</strong></td>
<td>Ahmed Baba Ali</td>
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<td>Fatima Mehdi Hassam</td>
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<td><strong>SENEGAL</strong></td>
<td>Momath Ndao</td>
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<td><strong>ZAMBIA</strong></td>
<td>Amos Musonda</td>
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<td>Joseph Chinyemba</td>
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<td><strong>ZIMBABWE</strong></td>
<td>Dr. Desire Mutize Sibanda</td>
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<td>Fadzai Mhariwa</td>
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<td><strong>OBSERVERS</strong></td>
<td>Thomas Yanga</td>
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<td>Lena Heron</td>
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<td>Dr. Senait Regassa</td>
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<td>Wanja Kaaria</td>
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<td>Ian Small</td>
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<td>Susanne Feser</td>
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<td>Stéphane Duval</td>
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<td>Nicola Jenns</td>
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Annex 2

Fourth Session of the African Risk Capacity (ARC) Agency Conference of the Parties

1. Election of the Bureau and Adoption of the Agenda and Programme of Work of the Conference of the Parties

2. Report of the ARC Agency Governing Board

3. Briefing by the Director General of the ARC Agency on the activities of the ARC Agency since the third session of the Conference of the Parties, including:
   a. Progress and Development of ARC Work Programme and Initiatives
   b. Vision for ARC 2016-2020/Agenda for Action
   c. Results-based Strategic Framework
   d. Outreach and Partnership

4. Update regarding the activities of the African Risk Capacity Insurance Company Limited (ARC Ltd), including:
   a. The formation of the second insurance pool;
   b. Insurance payouts for 2015/2016; and
   c. The work of the ARC Ltd Re-domiciliation advisory task team


7. Consideration of the Programme of Work and Budget for 2016 and the Report of the ARC Agency Governing Board

8. Selection of Members and Alternate Members of the ARC Agency Governing Board to the West African and Southern African Seats

9. Consideration of the amended Compliance Rules including the Whistleblower Policy and Procedures

10. Consideration of the Escrow Account Rules

11. Consideration of the Scale of Assessment and Update on Treaty Ratification

12. Agreement on the date and place of the next session of the Conference of the Parties
Annex 3

RULES OF PROCEDURE OF THE
AFRICAN RISK CAPACITY CONFERENCE OF THE PARTIES

Rule I Scope

These rules of procedure shall apply to all sessions of the Conference of the Parties. They shall also apply, mutatis mutandis, to subsidiary bodies of the Conference of the Parties unless the Conference of the Parties should decide otherwise, in accordance with Rule 8.2.

Rule II Bureau

2.1 The Conference of the Parties shall elect a Bureau consisting of a Chairperson, three Vice-Chairpersons and a Rapporteur (hereinafter collectively referred to as “the Bureau”) from among the representatives of the Parties. In electing the Bureau, the Conference of the Parties shall have due regard to the principle of geographical rotation.

2.2 Members of the Bureau shall hold office for one year or until a new Bureau is elected, with the possibility of renewal for one additional term. No member of the Bureau may be re-elected for a third consecutive term.

2.3 If a Member of the Bureau resigns from his or her position or finds him or herself permanently unable to exercise his or her functions, the Party of that Bureau member shall designate another representative so that he or she may replace the said member during the remainder of the term.

2.4 The terms of office of the members of the Bureau shall commence on their election at the opening of the session at which they are elected. They shall serve as the Bureau of any special session held during their terms of office, and provide guidance to the Governing Board and the Director-General with regard to the preparations for, and conduct of, sessions of the Conference of the Parties.

2.5 The Chairperson shall preside at all sessions of the Conference of the Parties and shall exercise such other functions as may be required to facilitate the work of the Conference of the Parties. A Vice-Chairperson acting as Chairperson shall have the same powers and duties as the Chairperson.

Rule III Sessions

3.1 In accordance with Article 12.3 of the Agreement for the Establishment of the African Risk Capacity (ARC) Agency (the Establishment Agreement), the Conference of the Parties shall hold ordinary sessions at least once every year.

3.2 Extraordinary sessions of the Conference of the Parties shall be held at such other times as may be requested in writing by the Governing Board or at the written request of at least two-thirds of the Parties.

3.3 Sessions of the Conference of the Parties shall be convened by the Chairperson of the Conference of the Parties with the agreement of the Bureau and in consultation with the Chairperson of the Governing Board and the Director-General.
3.4 Notice of the date and place of each session of the Conference of the Parties shall be communicated to all Parties at least four weeks before the opening of the session.

3.5 Each Party shall communicate to the Director-General the name of its representatives on the Conference of the Parties before the opening of each session of the Conference of the Parties.

3.6 Each Party shall send a delegation authorized by its Head of State, Head of Government, Minister of Foreign Affairs, Minister of Finance or the Minister responsible for overseeing African Risk Capacity activities within the country. Permanent Representatives of Parties accredited to the African Union may be considered as representatives to the Conference of the Parties without additional authorization. (Emphasis added)

3.7 The Director-General may invite experts to sessions of the Conference of the Parties, with the agreement of the Bureau.

3.8 The presence of delegates representing a simple majority of the Parties shall be necessary to constitute a quorum at any session of the Conference of the Parties in accordance with Article 12.5 of the Establishment Agreement.

Rule IV Agenda and documents

4.1 The Director-General shall prepare the draft agenda on the request of the Chairperson and under the guidance of the Governing Board.

4.2 Any Party may request the Director-General to include specific items in the Draft Agenda before it is dispatched.

4.3 The draft agenda shall be circulated by the Director-General at least four weeks before the opening of the session to all Parties and observers invited to attend the session.

4.4 Any Party may, after the dispatch of the draft agenda, propose the inclusion of specific items on the agenda with respect to matters of an urgent or unforeseen nature, if possible not later than two weeks before the opening of the session. These items should be placed on a supplementary list, which, if time permits before the opening of the session, shall be dispatched by the Director-General to all Parties, failing which the supplementary list shall be communicated to the Chairperson for submission to the Conference of the Parties. Any Party may propose to include, before the adoption of the agenda, any other item that it considers to be of relevance.

4.5 After the agenda has been adopted, the Conference of the Parties may, by consensus amend the agenda by the deletion, addition or modification of any item.

4.6 Documents to be submitted to the Conference of the Parties at any session shall be furnished by the Director-General to the Parties at the time the agenda is dispatched or as soon as possible thereafter, but always at least three weeks prior to the opening of the session.

4.7 Formal proposals relating to items on the agenda and amendments thereto introduced during a session of the Conference of the Parties shall be made in writing and handed to the Chairperson, who shall arrange for copies to be circulated to all representatives of Parties.

Rule V Decision-making
5.1 Subject to Rule 5.2, all decisions of the Conference of the Parties shall be taken by a two-thirds majority of the Parties present and voting, except that decisions taken pursuant to paragraphs 2(b), 2(n), 2(o) and 2(p) of Article 13 of the Establishment Agreement shall be taken by a two-thirds majority of the Parties to the Establishment Agreement.

5.2 The Chairperson shall at all times strive to achieve consensus whenever possible in decision-making by the Conference of the Parties.

5.3 The election of Members of the Governing Board shall be carried out in accordance with the procedures set out in the Annex to these Rules.

Rule VI Observers

6.1 The Director-General shall notify the African Union Commission, as well as any Member State of the African Union that is not a Party to the Treaty, of sessions of the Conference of the Parties so that they may be represented as observers, at least six weeks before the opening of the session. Such observers may, upon invitation of the Chairperson, participate without the right to vote in sessions of the Conference of the Parties.

6.2 The Director-General shall notify any other body agency or cooperating partner, whether governmental or non-governmental, qualified in fields relating to the subject-matter of the Treaty, including any donor, which has informed the Director-General of its wish to be represented as an observer, of the sessions of the Conference of the Parties at least six weeks before the opening of the session. Such observers may, upon invitation of the Chairperson, participate without the right to vote in sessions of the Conference of the Parties on matters of direct concern to the body or agency they represent unless at least one third of the Parties present at the session object.

6.3 Before the opening of a session of the Conference of the Parties the Director-General will circulate a list of observers who have requested approval to be represented at the session.

Rule VII Records and Reports

7.1 At the end of each session, the Conference of the Parties shall approve a report embodying its decisions, recommendations and conclusions. Such other records, for its own use, as the Conference of the Parties may on occasion decide, shall also be maintained.

7.2 The report of the Conference of the Parties shall be circulated, for information, by the Director-General within thirty days of its adoption to the Chairperson of the AU Commission and all Parties and observers that were represented at the session.

Rule VIII Subsidiary Bodies

8.1 The Conference of the Parties may establish such subsidiary bodies as it deems necessary for the accomplishment of its functions. The establishment of subsidiary bodies shall be subject to the availability of the necessary funds in the approved budget of the ARC Agency. Before taking any decision involving expenditure in connection with the establishment of subsidiary bodies, the Conference of the Parties shall have before it a report from the Director-General on the administrative and financial implications thereof.
8.2 The membership, terms of reference and procedures of the subsidiary bodies shall be determined by the Conference of the Parties.

8.3 Each subsidiary body shall elect its own Bureau, unless appointed by the Conference of the Parties.

Rule IX Expenses

9.1 Expenses incurred by representatives of Parties and their alternates in attending sessions of the Conference of the Parties or subsidiary bodies, as well as the expenses incurred by observers at sessions, shall be borne by their respective governments or organizations.

9.2 Any financial operations of the Conference of the Parties and its subsidiary bodies shall be governed by the appropriate provisions of the financial rules.

Rule X Languages

10.1 The working languages of the Conference of the Parties shall be those of the African Union.

Rule XI Amendment of the Rules

Amendments to these Rules may be adopted by a two-thirds majority of the Parties present and voting. Consideration of proposals of amendments to these Rules shall be subject to Rule 4 and documents on the proposals shall be circulated in accordance with Rule 4.7 and in no case less than 24 hours prior to their consideration by the Conference of the Parties.

Rule XII Application of the Rules of Procedure of the AU Assembly

The provisions of the Rules of Procedure of the AU Assembly shall apply mutatis mutandis to all matters not specifically dealt with under the Establishment Agreement or the present Rules.

Rule XIII Over-riding Authority of the Establishment Agreement

In the event of any conflict between any provision of these rules and any provision of the Establishment Agreement, the Establishment Agreement shall prevail.

Rule XIV Entry into Force

These Rules and any amendments thereto shall come into force upon their approval by the Conference of the Parties.
ANNEX 1

Procedures for the Election of Members of the Governing Board

1. The Conference of the Parties shall elect five members and one alternate for each member to serve on the Governing Board of the ARC Agency.

2. Such Members shall be elected from among the candidates put forward by the Parties that have, at the time of the election, current contracts for Insurance with an ARC Agency Subsidiary or Affiliated Entity. During the initial period before Parties have entered into contracts for Insurance with an ARC Agency Subsidiary or Affiliated Entity, the members of the Governing Board and alternates shall be elected from Parties that have signed pre-participation Memoranda of Understanding with WFP regarding the ARC Project and have notified in writing to the Chairperson of the Conference of Parties their intention to take out contracts for Insurance once such contracts are available.

3. All candidates shall meet the qualifications for Board Members set out in the Appendix to this Annex.

4. The Conference of Parties will take into account the need for equitable geographical representation and rotation among the Parties when electing the members of the Governing Board. An alternate shall not attend any meeting of the Governing Board if the member he or she is replacing is also present;

5. Members and their alternates shall serve in their personal capacities, and shall serve on a part-time basis as required to carry out their functions.

6. Members of the Governing Board shall be appointed for terms of not more than three years, which terms may be renewed for one further term of three years. The terms of the Members of the Governing Board shall be staggered to ensure continuity in the work of the Board.

7. The election of the members of the Governing Board shall as far as possible be carried out by consensus. If every effort has been made to achieve a consensus without success, the election shall be carried out in accordance with the following:

   a) Each Party meeting the criteria set out in Paragraph 2 may propose no more than one candidate for election as a Member of the Governing Board and one candidate for election as an alternate. The candidates may be nationals from the Party concerned, or from any Member State of the African Union.

   b) A proposal of a candidate for election as a Member of the Governing Board or alternate shall be accompanied by a curriculum vitae of the candidate. Indicating the way in which the candidate meets the Terms of Reference and Qualifications of Board Members.

   c) Subject to paragraph d) below, the required majority for the election of a member of the Governing Board shall be two-thirds of the votes cast.
The candidates who receive the largest number of votes shall be declared elected up to the number of seats to be filled, provided that they have received the required majority.

If in any ballot more candidates receive the required majority than there are seats available, the candidates receiving the highest number of votes shall be elected up to the number of seats available; further ballots shall be held among the remaining candidates that have received the required majority where necessary to resolve cases where candidates receive an equal number of votes.

If in any ballot no candidate receives the required majority, the candidate with the smallest number of votes in that ballot shall be eliminated.

If in any ballot no candidate receives the required majority and more than one candidate receives the smallest number of votes, a separate ballot shall be held between these candidates and the candidate receiving the smallest number of votes shall be eliminated.

If in the separate ballot provided for above more than one candidate again receives the smallest number of votes, the above operation shall be repeated with respect to these candidates until one candidate is eliminated, provided that if all the same candidates receive the smallest number of votes in two consecutive separate ballots, such candidate as will have been designated by lot drawn by the Chairperson of the Conference of the Parties shall be eliminated.

If at any stage all remaining candidates receive the same number of votes, and that happens again in the two successive ballots, the Chairperson shall suspend the session and then hold two further ballots. If after applying this procedure, the final ballot results again in an equally divided vote, such candidate as shall have been designated by lot drawn by the Chairperson of the Conference of the Parties shall be elected.

The terms of office of the first members of the Governing Board shall be staggered in accordance with the following scheme:

i. The candidate receiving the highest number of votes shall be elected for a term of three years, and shall be eligible for re-election for one further term of three years only;

ii. The two candidates receiving the second highest number of votes shall be elected for a term of two years, and shall be eligible for re-election for one further term of three years only;

iii. The two candidates receiving the third highest number of votes shall be elected for a term of one year, and shall be eligible for re-election for one further term of three years only;
iv. In the event that all candidates that are elected receive the same number of votes, the terms shall be allocated by the Chairperson of the Conference of the Parties by lot.
Appendix

Qualifications of Board Members

Board Members shall be persons of known competence and integrity and shall have expertise in one or more of the following areas:
   a) Disaster Risk Management
   b) Emergency Management
   c) Disaster Preparedness
   d) Extreme Weather Events
   e) Food Security
   f) Provision of Social Services
   g) Contingency Planning
   h) Finance
   i) Insurance

The Parties should ensure, as much as possible, a distribution of different fields of expertise across the Board Members.
ANNEX 2

Removal and Replacement of Members of the Governing Board

Section 1: General Provisions

1. The Conference of the Parties may, pursuant to Article 13, paragraph 2 (e) of the Agreement for the Establishment of the African Risk Capacity (ARC) Agency (the “Establishment Agreement”), dismiss Members of the Governing Board of the ARC Agency (the “Board”) for good cause.

2. Removal of a Member of the Board shall require due process and the agreement of a two-thirds majority of the Parties to the Establishment Agreement present and voting.

3. Good cause may include, but is not limited to, the following:
   i. Violation of national laws;
   ii. Violation of the Rules of Conduct for the Members of the ARC Agency Governing Board;
   iii. Commission of unethical acts that, although not directly connected to ARC, the CoP finds are reasonably related to the activities of the Board or such as to affect the standing or integrity of a member;
   iv. Failure to fulfill his or her duties as a Member of the Board, including repeated non-attendance at Board meetings; and
   v. Loss of confidence in the capacity of the Board Member to fulfill the duties of a Board Member by the State that nominated him/her.

Section 2: Procedures for Removal and Replacement of a Member of the Board for Good Cause

4. Procedures for the removal for good cause of a Member of the Board shall be commenced if a complaint is filed against a Member of the Board with the Secretary to the Board (the “Complaint”) by:
   i. another Member of the Board;
   ii. a Party to the Establishment Agreement; or
   iii. a member of the general public.

5. The Member of the Board against whom the Compliant has been made shall be notified within 10 working days of receipt of the Complaint. Such notice shall be in writing and shall advise the Member of the Board of his/her opportunity to rebut the Complaint.

6. The Member of the Board against whom a Complaint has been made shall have 14 working days to notify the Secretary to the Board of his/her desire to be heard during consideration of the Complaint.
7. The Chairperson of the Board shall be notified in writing within 10 working days of receipt of the Complaint.

8. Upon receiving notification of a written Complaint from the Secretary to the Board, the Chairperson of the Board shall, within 10 working days, establish an ad hoc Board Committee consisting of three Members of the Board to consider the Complaint.

9. The Board Committee shall have 45 days from its establishment by the Chairperson of the Board to conduct a hearing regarding the Complaint. The Member of the Board against whom the Complaint has been made and the complainant shall both be entitled to testify during the hearing, if they so desire.

10. Once the Board Committee has considered and made a determination regarding the Complaint, that body shall render a report and recommendations, based upon its finding of fact, to the Conference of the Parties at least one month prior to the session of the Conference of the Parties during which the removal of the Member of the Board will be discussed.

11. The Board Committee shall also submit its report to the full Board for informational purposes.

12. Removal of a Member of the Board by the Conference of the Parties must be expressly included on the agenda of the session of the Conference of the Parties during which it will be discussed, and the Member of the Board must be provided at least 30 days-notice that the Conference of the Parties will be discussing his or her removal.

13. The Conference of the Parties shall deliberate and discuss the issues and render a decision regarding whether the Member of the Board shall be removed from the Board. At the discretion of the Conference of the Parties, a brief statement may be made to the Conference of the Parties by the Member of the Board against whom the Complaint has been made.

14. If a Board Member is removed, his or her alternate Board Member shall take his or her position on the Board until such time as a new Board Member can be selected pursuant to the Procedures for the Election of the Members of the Governing Board annexed to the Rules of Procedure of the Conference of the Parties.
ANNEX 3

Procedures for the Election of the Director General of the ARC Agency

1. The Director General shall be selected from among the candidates recommended by the Board, according to the procedures set out in the Director General Search Guidelines approved by the CoP and the Framework for the Selection of the New Director General.

2. To the extent possible, the CoP will carry out the selection of the Director General by consensus. If every effort has been made to achieve a consensus without success, an election may be carried out in accordance with the Election Procedures.

3. The election of a candidate for the post of Director General will be conducted by secret ballot and each Party to the CoP shall be entitled to one vote.

4. For purposes of the Director General election, a two-thirds majority of the Parties present and voting shall be considered a majority.

5. Before the vote begins, the Chairperson of the CoP will appoint five Monitors to scrutinize the votes cast.

6. If paper ballots are used, the following shall be deducted from the total number of the Parties to the CoP:
   a. the number of blank ballots, if any; and
   b. the number of invalid ballots, if any.

The remaining number shall constitute the number of votes recorded. If electronic ballots are used and such deductions are done automatically by the election system, this rule shall not apply.

7. If a candidate obtains a majority of two thirds of the votes cast in the first ballot, he or she will be declared elected.

8. If no candidate obtains the required majority in the first ballot, further ballots will be taken. If, during any ballot, a candidate obtains two thirds of the votes cast, he or she will be declared elected.

9. If, after four ballots have been taken, no candidate has obtained a two-thirds majority, the candidate with the smallest number of votes in the fourth ballot shall be eliminated and a fifth ballot shall be taken. If no candidate has obtained a two-thirds majority in the fifth ballot, the candidate with the smallest number of votes shall be eliminated and a sixth ballot shall be taken. This will continue with each successive ballot, until there is a ballot with only two candidates.
10. If after three further ballots neither of the two candidates obtains a two third majority of the votes cast, the candidate with fewer votes shall withdraw.

11. The remaining candidate shall proceed to the next round. If he or she fails to obtain a two thirds majority of the votes cast in that round, the Chairperson of the CoP shall suspend the election for a length of time to be determined by the CoP.
Annex 4

2016 ARC Agency Programme of Work and Budget

The African Risk Capacity (ARC) Specialized Agency of the African Union (AU) was established on 23 November 2012 by a Conference of Plenipotentiaries convened by the African Union. ARC was designed to improve the capacity of AU Member States to manage natural disaster risk, adapt to climate change and protect food insecure populations. To do this, the ARC offers weather insurance to participating governments through its commercial affiliate, the ARC Insurance Company Limited (ARC Ltd or the Company). This financial entity uses Africa RiskView, an advanced satellite weather surveillance and software to estimate and trigger readily available funds to African countries hit by severe weather events.

Because such events do not happen in the same year in all parts of the continent, pan-African solidarity in the creation of a disaster risk pool like ARC is financially effective. Pooling risk across the continent significantly reduces the cost to countries of emergency contingency funds, while decreasing reliance on external aid. By merging the traditional approaches of disaster relief and quantification with the concepts of risk pooling and risk transfer, ARC creates a pan-African disaster response system that meets the needs of those affected in a timelier and more efficient way and provides an important step forward in creating a sustainable African-led strategy for managing extreme climate risks.

All funds that are paid out from ARC Ltd to Member States must be used for pre-defined contingency plans. This contingency planning process is led by the countries and ensures that the funds from ARC are most efficiently used in the event of a payout. In addition, the contingency planning work has been used to catalyse further discussions and consensus building with government and donor partners on disaster financing, scalability of existing programs and implementation capacity for Member States.

As a Member owned institution the Agency also carries out capacity building for Member States that is needed for those States to participate in the activities of ARC. In parallel, based on the requests of Member States, the Agency carries out research and development on insurance products and financial instruments that would assist countries in managing risk as demonstrated below by ARC’s work on flood, tropical cyclone, outbreak and epidemics, and the Extreme Climate Facility (XCF).
MILESTONES ACHIEVED SINCE ESTABLISHMENT

The activities of the Agency can be divided into four work-streams:

1) Operations: strategic direction, selection of a new Director General, organization of Conferences of the Parties, activities of the Governing Board, completion of the ARC Agenda for Action

2) Research and Development: early-warning and Africa RiskView drought model enhancement, development of new hazard models for Africa for flood and tropical cyclone, economic research including a country risk ratings methodology and the ARC cost benefit analysis, design and development of Outbreak and Epidemic (O&E) insurance for Member States, and the design and development of an Extreme Climate Facility (XCF) to provide climate adaptation funding for Member States

3) Government and Client Services: customization of Africa RiskView software, development of operations plans linked to payouts, structuring of risk transfer contracts, preparatory assistance when an insurance payout is imminent, development of FIPs with countries who receive payouts, monitoring of payout implementation processes

4) Thought Leadership and Policy Development: collating best practices across Member States, documenting and sharing experiences from Africa in global fora, ensuring global debates with regard to climate change, food security, resilience, risk financing, etc. engender solutions suitable to the African context, leading the discussion in the context of the G7 commitments on the expansion of climate insurance coverage for developing country beneficiaries and the upcoming World Humanitarian Summit in 2016

1. Operations Work-stream

Administration. In 2015, the ARC renegotiated its Administrative Services Agreement (the ASA) with the UN World Food Programme. The new ASA, signed on June 3, 2015, covers the work of the ARC Agency until August 31, 2019.

Conference of the Parties. In January 2015, ARC hosted the third session of the Conference of the Parties (CoP) which is the vehicle through which Member States can establish the policies of the ARC Agency and determine its strategic direction. Nineteen Member States participated which showed a very high level of engagement and commitment from Members. During the third session of the CoP, representatives from these Member States were active participants and engaged in decision-making on key issues and dialogue on ARC’s operations and programme of work. Countries also engaged in peer-to-peer learning by presenting their experiences to one another during the meeting. At the third session of the CoP, Mauritania, Niger and Senegal each made presentations regarding their operations planning and Final Implementation Plan (FIP) processes, which were very well received by the other Members.

Another key outcome of the CoP was the conclusion of the Governing Board’s competitive recruitment process for and election of the new and first regular term Director General for ARC, Mr. Mohamed Beavogui, who assumed office on September 1, 2015.
Governing Board. The ARC Agency Governing Board met in September 2015 to give direction to the Secretariat and take the steps necessary to put the policy decisions of the 2015 ARC CoP into practice. At its September 2015 meeting, the Board took a number of important decisions, including:

- Approval of the Revised Contingency Planning Standards and Guidelines, which have been amended to include standards for flood and tropical cyclones;
- Consideration and endorsement of the Programme of Work and Budget to be submitted to the CoP;
- Direction regarding new initiatives being undertaken by the Secretariat, including: the Extreme Climate Facility, Outbreak and Epidemic Insurance, Licensing for Development, Humanitarian Financing and Sovereign Disaster Risk Finance Assessments; and
- The establishment of a Mid-Implementation Review Mechanism, a Whistleblower Policy and review of proposed amendments to the Compliance Rules.

Throughout 2015 the Board also continued to provide oversight of Secretariat activities, including receiving updates regarding the implementation of the 2015 ARC insurance payouts and the improvements to ARC’s monitoring and evaluation systems that were approved during the Board meeting held in September 2014.

In addition to meeting as a full Board, committees of the Board were also active. The Finance Committee of the Agency Board convened to review the 2016 Programme of Work and Budget. The Peer Review Mechanism met to review and provide recommendations regarding the adoption of Operations Plans submitted by five countries in 2015. This same committee also convened to consider and make recommendations regarding FIPs submitted by three countries.

Agenda for Action. Finally under the area of Operations, in November 2015 ARC launched its Agenda for Action. The Agenda for Action was developed in support of the G7 leaders’ pledge to provide indirect insurance to 400 million people globally by 2020. In its Agenda for Action, ARC aims to reach as many as 30 countries with $1.5 billion of coverage against drought, flood and cyclones, indirectly insuring around 150 million Africans and radically transforming the way weather risks are managed across the continent by embedding disaster preparedness and financing in sovereign risk management systems. Moreover it provides the infrastructure to ensure these risk management investments and ARC’s value to its members is sustainable and resilient to future climate shifts through its climate adaptation financing Extreme Climate Facility (XCF), which aims to provide an additional $500 million in climate adaptation financing capacity. The Agenda for Action highlights ARC objectives until 2020.

2. Research and Development Work-stream

Weather Hazard Modeling. In 2015 under the direction of the Director of Research and Development, the ARC Technical Team continued ongoing upgrades and maintenance to Africa RiskView and refinement of its drought model. In this regard, ARC continued to make improvements to the back-end infrastructure, usability and visualization aspects of the Africa RiskView software in response to the needed upgrades identified during the customization of Pool 1 and Pool 2 countries. The Technical Team also introduced new and improved drought model features and functionality for Pool 3.

In parallel to this ongoing work, ARC began to work with Atmospheric and Environmental Research (AER), a North American based research firm, to create parametric flood model for the continent, the
first parametric flood model in the world. This model is currently in development with the aim of being able to offer flood coverage through ARC Ltd to ARC Member States in 2017. AER replaced the Netherlands-based company e-Leaf which was initially selected in 2014, through a competitive procurement process, as ARC’s modelling partner. Unfortunately e-Leaf was unable to create a model that was sufficiently robust to represent the complex continental flood modelling challenges. Based on mutual agreement with e-Leaf, they discontinued their work and were replaced by AER at the start of 2015, the company with the best technical bid but overall coming in the second place in the initial tender.

AER has a track record of developing similar models and has proved to be technically competent and highly innovative in working to design the most appropriate product for ARC Member States. Its approach is to use microwave data to produce daily historical flood extent depictions across the continent at 90m by 90m resolution. This information has been used to generate estimated losses for flood events at the sub-national and national level assuming those historical events happened today. At the conclusion of the modelling process, which will wrap up in 2016, AER will provide a 29 year and real-time daily data set for the continent which will depict historical and future flood events to estimate losses in Africa RiskView. ARC’s technical approach can then be applied using this dataset so that ultimately the outputs will be used to underwrite parametric flood insurance contracts for interested countries for Pool 4 and beyond.

Tropical cyclone modelling, which is being managed by ARC Ltd, started at the beginning of June 2015, after a tender process to select the most appropriate company to carry out the modelling that will underpin the cyclone parametric product for the Southwest Indian Ocean (SWIO). The contract was awarded to Kinetic Analysis Corporation (KAC), which has a demonstrated track record of natural catastrophe modelling for parametric insurance products, and is highly trusted both by sovereign clients and by the global reinsurance markets. The model covers the impact of wind and ocean hazards (storm surge and waves) from all tropical cyclones active in SWIO. The product does not cover rain, so the flood product will also be required for those countries which have flood hazards related to heavy rainfall linked to tropical cyclones.

For cyclone the first phase of modelling was completed successfully in early July 2015 and during July a grant agreement was also negotiated and signed between ARC Ltd and KFW to cover the costs of not only the tropical cyclone modelling work but also to support ARC Agency in-country activities related to launch and maintenance of the tropical cyclone insurance product. KAC started the main phase of the modelling work in early August, and completed the model in December 2015, in time for launch in Pool 3 in 2016.

Sovereign Disaster Risk Finance Capacity. Following a recommendation by the Independent Contingency Planning Review in 2014 to enhance the analytical rigour and independence of inputs to the PRM, and acknowledging the significant contribution and increased demand from lower income countries for the contingency financing products being provided by regional risk pools such as ARC, as well as the private risk markets, multi-lateral agencies and donors, the Secretariat has begun development of a Sovereign Disaster Risk Finance capacity assessment methodology. In 2015, following a competitive procurement process, ARC contracted the services of Global Credit Ratings (GCR) to develop a methodology to assess the:
1. Financial resilience of countries to disasters by assessing the timely availability of capital to the country in relation to its quantifiable risk;
2. Where appropriate, the ability and willingness to pay premiums for disaster risk financing instruments and to cover other costs related to the maintenance of reserves; and,
3. Operational capacity to effectively and to accountably deploy funds to assist affected populations in times of crisis.

The pilot methodology focuses specifically on drought risk, with a view to testing it and expanding to a multi-hazard framework in coming years.

**Extreme Climate Facility (XCF).** The XCF is envisioned as a data-driven, multi-year financial vehicle that will track the frequency and magnitude of extreme climate shocks in Africa and provide additional climate adaptation funds for countries already managing their current weather risks through ARC Ltd in the event that extreme heat, droughts, floods or cyclones increase in occurrence and intensity across the continent. To be effective, the following three elements must be central to XCF’s design: 1) implementation-ready country-level adaptation plans conforming to a set standards for climate-resilient investments, or, at the very least, a credible channel through which these additional climate adaptation funds could be directed to participating countries; 2) a data-driven mechanism to track extreme weather events across the continent in an objective manner over time, with established indices, thresholds and criteria for triggering XCF payments to regions; 3) an efficient financial vehicle that could finance XCF’s obligations to African governments over time. In 2015, ARC began the XCF R&D phase to address these elements through a multi-disciplinary work programme.

The XCF initiative was formally launched by Dr Ngozi Okonjo-Iweala, the ARC Governing Board Chair, at the Secretary General’s Climate Summit in New York in September 2014. In March 2015 ARC received its first direct XCF grant from the Rockefeller Foundation of USD 1 million to begin the R&D phase, planned for two years with the intention of preparing a significant amount of the technical and political groundwork required to segue into an establishment phase sometime in late 2016.

The ARC Secretariat partnered with the Climate and Development Knowledge Network (CDKN) to support the development of investment-ready climate compatible development plans. CDKN gave an in-kind grant of GBP 250,000 in October 2014 and tendered for a service provider to complete the initial research work outlined above. In November 2014, the consortium of the Frankfurt School-UNEP Collaborating Centre for Climate & Sustainable Energy Finance and Kulima Integrated Solutions (hereafter Frankfurt School-Kulima) was selected and completed their work in late 2015. This initial research work sets the stage for more work in 2016 to finalise the XCF climate adaptation standards and guidelines for a first operational XCF phase, potentially working with countries in anticipation of a first round of XCF funding and developing a cost-benefit analysis for XCF participation based on the findings of the initial research work.

To define the initial Extreme Climate Index to trigger potential XCF payouts, the ARC Secretariat has partnered with AMIGO S.r.l.. AMIGO S.r.l. is a Rome-based specialist climate science research firm which has a Long-Term Agreement with WFP for the provision of climate services for Africa and significant experience in index-based weather risk management in Africa.\(^6\) Dr Sandro Calmanti, co-founder of AMIGO S.r.l., has previously worked with ARC on a series of climate change stress tests for

\(^6\) http://www.amigoclimate.com/
the continent using *Africa RiskView*. AMIGO S.r.l. started work in April 2015 and are in the process of outlining and testing options for the ECI and the XCF triggering mechanism. Their first white paper on design options was completed in 2015 and the ARC Secretariat plans to engage a leading climate modelling organisation with significant experience in regional climate modelling and in extreme event detection in Africa to review this work and conduct risk modelling work of the indices and triggering approach proposed in 2016.

In 2015, the ARC Secretariat also made progress on defining possible legal and financial structures for XCF with the advice of external legal counsel and initial risk market consultations. The findings will be presented to the ARC CoP in 2016.

**Outbreak and Epidemic (O&E) Insurance Product Development.** Emerging infectious diseases pose an increasing threat to health and development in Africa, and slow, unpredictable funding amplifies both the risk and impact of outbreaks. Following the Ebola crisis that ravaged West Africa, African Ministers of Finance requested the ARC Secretariat in March 2015 to develop a product to address countries’ financing needs to contain outbreaks of viruses and diseases common to the African continent, and in the case of spread or secondary transmission (see Annex 1: Addis Ababa Resolution L9). In the case of Ebola, financing was only mobilized 4-9 months (depending on the affected country) after the first cases were reported. According to ARC and its partners’ analysis, beginning the Ebola response two months earlier could have reduced total number of deaths by 80% in Liberia and Sierra Leone. Following consultations with leading virologists, relevant international organizations and private sector partners, the Secretariat has ascertained that the data and financial tools are indeed sufficient to begin development of a model, with a view to offering AU Member States a product by 2017.

### 3. Government and Client Services Work-stream

ARC’s initial insurance pool (Pool 1) was launched in 2014 with four countries participating with 126 million US dollars in total drought coverage. Of this risk, USD 55 million was placed in the reinsurance markets by ARC Ltd. In January 2015, ARC Ltd provided insurance payouts of just over USD 26 million to Mauritania, Niger and Senegal as a result of drought conditions in these countries in 2014. The timely funds provided to these Member States enabled them to implement an early response programme to their affected communities, in most cases ahead of any humanitarian aid, spearheading efforts to help countries move from managing crises to addressing risks in a timely manner.

For Pool 2, ARC’s in-country work focused on three key work-streams: the customization of *Africa RiskView*, the development of contingency plans for potential insurance payouts, and the training on and selection of insurance contract parameters. Countries that successfully completed all three components were issued a Certificate of Good Standing by the ARC Agency and were eligible to participate in the second ARC insurance pool.

On May 1st 2015, Pool 2 was launched with more than USD 178 million in drought coverage. During 2015, the Agency Secretariat staffing levels remained the same, yet ARC still managed to increase the number of countries in the second pool in May 2015 by adding The Gambia, Malawi, and Mali with a total premium income for drought coverage of over USD 25 million and over USD 70 million of risk transferred to the international reinsurance market.

Pool 3 will incept on May 1, 2016, and this same capacity building work has begun for those countries that are looking to join Pool 3 across the three major work-streams. ARC continues to build country
programs with new Member States which want to participate in Pool 3 and is engaging with countries on policy renewal work for countries that participated in Pool I and Pool 2. One of the key activities to prepare countries to enter into Pool 3 has been the organisation of the two Regional Technical Workshops on *Africa RiskView* hosted by ARC in Abidjan and Johannesburg in July 2015. These workshops, which brought together agro-meteorologists, vulnerability experts, contingency planners and government coordinators, aimed at introducing new countries, and refreshing Pool 1 and Pool 2 countries, on the steps to customize *Africa RiskView*. In parallel, ARC hosted two additional Contingency Planning (CP) Workshops in Abidjan and Johannesburg to discuss with Member States the draft Contingency Planning Guidelines for Flood and Tropical Cyclone. These CP workshops aimed to allow Member States to discuss and debate the guidelines before finalizing the draft guidelines which would be presented to the Governing Board for approval. In addition to initiating the technical work on Pool 3 these workshops provided a platform for information, ideas and best-practice exchange among government technicians working towards better disaster risk management.

4. **Thought Leadership and Policy Development Work-stream:**

Efforts to raise awareness about ARC through participation in global and regional policy forums continued in the areas of climate change, food security and disaster response. ARC is consistently recognised as an innovative and operational programme that can be scaled and replicated across different regions. This is evident in its inclusion in the G7’s agenda since 2010, UNFCCC Loss and Damage Work Programme since 2011, the position papers of the African Group of Negotiators in 2015 as well as in the African Union’s and Rome-based UN Agencies’ policy development towards the post-2015 Sustainable Development Goals. Following the G7’s Elmau commitment to provide up to 400 million poor people globally climate risk insurance by 2020, ARC is seen as the vehicle to being able to provide this coverage to a majority of the 200 million Africans targeted – and a structure to be replicated in other regions. ARC’s current coverage for 60 million people already has made a significant contribution to that commitment and the Secretariat will be convening humanitarian actors and donors in the lead up to UNFCCC COP 21 Paris and the World Humanitarian Summit 2016 to solidify the plan of action towards achieving this goal. Already, the WFP has picked up the idea of replica policies to complement government efforts in managing disaster response.7

## PROPOSED PROGRAMME OF WORK FOR 2016

There are fourteen major milestones to be achieved by the ARC Agency in 2016:

<table>
<thead>
<tr>
<th>No.</th>
<th>Milestone Description</th>
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<tbody>
<tr>
<td>1</td>
<td>Oversight by the ARC Governing Board of ARC operations and host the CoP 4 meeting in Addis Ababa (Operations)</td>
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<tr>
<td>2</td>
<td>Finalize the ARC Strategic Framework and Objectives for the ARC Agency (Operations)</td>
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<tr>
<td>3</td>
<td>Finalize the flood and tropical cyclone models for insurance purposes and refine the drought model (Research and Development)</td>
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<tr>
<td>4</td>
<td>Construct and finalise ARC’s third insurance portfolio for drought and tropical cyclone through capacity building with governments in Member States (Government and Client Services)</td>
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<td>5</td>
<td>Improve and enhance ARC’s Monitoring and Evaluation Capacity through finalization of the ARC process and financial audit (Research and Development/Government and Client Services)</td>
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<tr>
<td>6</td>
<td>Test and refine the methodology to assess sovereign disaster risk finance capacity of Pool 3 countries and begin defining uses of the methodology beyond the PRM (Thought Leadership/Government and Client Services)</td>
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<td>7</td>
<td>Start the R&amp;D phase for Outbreak and Epidemic (O&amp;E) insurance for ARC Member States (Research and Development/Thought Leadership)</td>
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<td>8</td>
<td>Fully conceptualise and design the Extreme Climate Facility (XCF) (Research and Development/Thought Leadership)</td>
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<td>9</td>
<td>Begin the long-term evaluation of ARC (Operations)</td>
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<tr>
<td>10</td>
<td>Align ARC’s activities with other on-going donor and government initiatives on Contingency Planning and Disaster Financing through greater ARC Secretariat Support (Government and Client Services/Thought Leadership)</td>
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<td>11</td>
<td>Conduct a Cost Benefit Analysis for drought, flood, and tropical cyclone insurance and contingency planning (Research and Development/ Thought Leadership)</td>
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<tr>
<td>12</td>
<td>Continue participation in global fora on disaster risk financing, climate adaptation, epidemics, and resilience building for Africa governments (Thought Leadership)</td>
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<td>13</td>
<td>Increase Treaty Signature and Ratification (Government and Client Services)</td>
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<tr>
<td>14</td>
<td>Pilot test ‘replica’ coverage with Pool 1 countries (Government and Client Services)</td>
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1) Governance

*Conference of the Parties.* The ARC Agency will host the fourth session of the Conference of the Parties (CoP) in January of 2016. This will allow the Member States to review the ARC Agency’s current program of work, identify priorities for future work, and take key decisions as indicated by the Governing Board. In addition, this event, which will be held in Addis Ababa and hosted by the African Union, will provide an opportunity for the formal introduction of the ARC’s new Director General, Mr. Mohamed Beavogui, to ARC Agency’s Member States.

*Governing Board.* The Governing Board will hold its seventh meeting on the margins of the CoP. In addition, the Governing Board and the ARC Ltd Board of Directors will hold their first ever joint meeting to discuss matters of common interest to ARC Agency and ARC Ltd. During these meetings, either the ARC Agency Board, or the joint ARC Agency and ARC Ltd Boards together, will consider: the draft Results-based Strategic Framework for 2016-2020; the establishment of Board advisory committees to provide advice on complex technical issues; progress on ARC’s new products and initiatives, including flood and tropical cyclone insurance products, the outbreak and epidemic insurance product, the Extreme Climate Facility and replica coverage for humanitarian partners; formation of the insurance pools; premium financing; and joint resource mobilization.

The Board will continue to provide oversight and guidance to the Secretariat throughout 2016, with the eighth meeting of the Board tentatively scheduled for May 2016 and the ninth meeting for September or October 2016. In addition to meeting as a full Board, committees of the Board, including the Finance Committee and the Peer Review Mechanism shall continue to meet as necessary during 2016.

2) Finalize ARC Strategic Framework and Objectives

Based on initial work started in 2015, ARC will finalize its strategic framework and objectives. This strategic framework will serve as the roadmap for ARC’s work until 2020 by outlining how ARC will achieve its target of reaching 150 million people with indirect insurance by 2020 as outlined in ARC’s recently launched Agenda for Action. The strategic framework will not only highlight the overall approach ARC will take in achieving those objectives but will also specifically link ARC’s work into the broader global initiatives like resilience building, climate adaptation, and sovereign disaster risk financing.

With the addition of tropical cyclone and flood to the ARC portfolio, ARC projects an average portfolio growth of around four new countries per year. It is these projections that underpin ARC’s Agenda for Action. Successful execution of ARC’s growth plans requires:

- Stability in financing and operations of ARC Agency, in order to develop and maintain the client base for ARC Ltd, including capacity building for early warning, contingency planning and risk management / financing;
- Assistance to countries in developing risk management systems which allow for continued gains in the effectiveness of *ex ante* actions to manage climate risk, including insurance premium support for a limited period and XCF coverage premium/coupon payments; and
• Embracing of innovative financing by the global humanitarian community in general and leveraging of the ARC infrastructure in particular to generate a more efficient and cost-effective global response architecture for climate disasters.

The strategic framework will outline the keys to ARC meeting these core needs and realising the long term growth outlined in the Agenda for Action.

3) Finalize the flood and tropical cyclone models for insurance purposes

ARC secured USD 300,000 from the Swiss Agency for Development and Cooperation to cover the development of a flood component that will be added to Africa RiskView and will allow ARC to offer parametric flood insurance to Member States. Using these funds and some additional, the ARC Agency has hired a North American based firm Atmospheric and Environmental Research (AER) to develop a flood model for the continent that can be used to underwrite parametric insurance. AER should complete initial modelling work by the first quarter of 2016 with a final insurance product ready to be offered to Member States in 2017. The model, which uses microwave-based data to determine the flooded area in a country on a daily basis, will provide ARC access to nearly thirty years of historical data on flood extent which will be the basis for underwriting ARC flood contracts. Part of the modelling process will include ground-truthing the model with ARC Member States interested in purchasing flood coverage from ARC Ltd. This work will begin in January 2016 once the initial round of modelling is finished, demonstrating a workable flood product exists. Once this ground-truthing is complete, and findings fed back into the model in the form of improvements, ARC will use this model to design an appropriate insurance policy for flood ready for Pool 4 (May 2017).

The ARC Technical Team will also support ARC Ltd which, through funding from KFW, has hired KAC for the development of a tropical cyclone model for coverage starting in 2016. Based on the work of ARC Ltd with KAC to develop the tropical cyclone model for Comoros, Mauritius, Madagascar, Mozambique, and Tanzania, the ARC Technical Team will ensure back-end compatibility with Africa RiskView. The model will be delivered by the end of 2015 so the related Technical Team work will begin in 2016.

4) Construction and finalization of ARC’s third insurance portfolio

With its first and second year of operations – including insurance payouts – completed, a governance and service delivery infrastructure in place and new flood and tropical cyclone hazard models coming online for coverage in 2017 and 2016 respectively, ARC is poised to scale up for its third insurance pool in May 2016 in order to meet the growing demand from African sovereigns and the capacity of the international risk markets. ARC will build on the lessons learned from its first two years of operations to successfully and effectively meet the demand of its Member States in the year ahead.

The ARC Agency will continue to support those countries that participated in the first insurance pools to ensure capacity transfer in holistic risk management, and with a view to renewal of coverage with the third pool in May 2016. For Pool 3, ARC aims not only to expand the number of countries in the Pool but also the risks that are covered with the introduction of tropical cyclone coverage. The table below shows the target countries and perils for Pool 3. The countries in **bold** will be considered renewal countries for drought policies.

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8 For the of 2016/7 primary tropical cyclone season in the SWIO.
In creating a pipeline of Member States for Pool 3, the Agency interaction is not limited to the countries listed above. Instead ARC looks for a broad group of countries since inevitably political and practical challenges will make it difficult for countries to join. However by having a pipeline it is likely that if a county chooses not to participate in one Pool 3 work will have already begun for Pool 4. For Pool 3 the Agency is working with those countries that have entered into MoUs for capacity building services from the ARC Agency Secretariat or where these MOUs are imminent. This work is structured as a fee-for-service structure whereby the ARC facilitates the salary of a dedicated ARC Coordinator (government employee) and focused time of selected government experts in meteorology, agriculture, food security, contingency planning and finance in return for certain deliverables in the “pre-participation programme.” The on-going activities to support Pool 3 preparation are described below.

**Africa RiskView Customization.** The customization of **Africa RiskView** for drought has begun for those countries looking to join Pool 3 and who did not participate in Pool 1 and Pool 2. This initial drought customization of the **Africa RiskView** (ARV) software entails defining criteria for each of the four layers of the software – rainfall, drought, populations affected and response costs. The aim of the ARV customization process is to produce a robust model that can accurately capture drought events in a country and, as well as possible, predict the impact of these drought events on vulnerable households. In addition to allowing countries and their partners to review the efficacy of ARV for their risk management needs, this process will also ensure each participating country understands how the model inputs and limitations work, and how it can be used as the basis for indexing ARC insurance contracts and triggering ARC payouts. For those countries that will be renewing drought policies, ARC will continue what is an on-going dialogue with the established technical working group in country. Before Pool 3 further refinements will be made for these countries but these changes will be significantly less than the initial customization process and often are more advanced conversations.
due to the growing capacity of the technical working groups in country on *Africa RiskView*. To complete these customizations, the ARC Secretariat and ARC Technical Team liaise with in-country counterparts on a weekly basis and in person monthly, or as possible. Opportunities for peer-to-peer learning across countries will be taken advantage of as much as possible during the year-long capacity building programme.

In-country consultations on tropical cyclone began in 2015 and will continue into 2016. The tropical cyclone model will require less customization than drought, but still requires some limited country consultations to validate the modelled loss methodology.

For the flood insurance product, which will launch in May of 2017, the ARC Technical Team will also need to carry out a customization, albeit simpler than for drought, and validation process of the underlying model. This process will begin in January 2016 and will require consultations with technical experts in-country to determine if the model is accurately reflecting the incidents and impacts of flood both spatially and temporally.

**Contingency Planning.** Each country that takes out an insurance policy with ARC must have a pre-defined contingency plan for the use of those. For countries that participated in Pool 2, they will not need to renew their Contingency Plans plan until Pool 4 which reflects the two-year approval for Operations Plans. For countries looking to join Pool 3, ARC will continue assisting them in the preparation of ARC Operations Plans for a potential ARC payout. This contingency planning process entails three steps for participating countries.

The first step for countries is to submit an initial Operations Plan to the ARC Governing Board for approval in order to obtain a Certificate of Good Standing that will allow the country to access the insurance pool. In order to be approved by the Board, each activity specified in the plan will have to satisfy ARC’s basic eligibility and implementation criteria.

As a second step, a Final Implementation Plan (FIP) submission will need to be made by a country one to two months before the end of the season in the case of drought and immediately after an event for flood and tropical cyclone. This final submission gives a country receiving a payout an opportunity to refine their initial submission and effectively update the proposed use of their payout based on the most up-to-date information about the current food security and operational costs.

For tropical cyclone FIPs (and for flood in Pool 4), countries will also have the opportunity to utilize a simplified FIP process to get some of the available funds released immediately after an event. The introduction of the simplified FIP for these two perils essentially creates a two-tiered FIP process to meet the needs of country faced with a sudden onset disaster. This release only allows for a limited amount of the funding to be provided to meet immediate needs with the larger amount of any payout only available after completing the full FIP process.

- Last is a reporting step, in which countries implement the activities associated with the payout and report on progress against their logframe. The ARC Secretariat will assist countries in preparing these submissions and establishing systems for meeting the reporting requirements.

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9 Implementation of this approach through the new Contingency Planning Guidelines are still pending approval from the ARC Governing Board at its September 2015 meeting in Frankfurt.
**Risk Transfer Policy Discussions.** For Pool 3, once ARV has been customized for drought and tropical cyclone, a country will have to decide what portion of that modelled risk it wants to transfer to the ARC risk pool via an insurance contract. This is done by determining the most appropriate ARC risk transfer parameters as dictated by a country’s risk management needs. The decision will depend on several factors unique to each country — from ARV-defined drought risk profile vis-à-vis available resources to fund potential drought responses, to the country’s premium-payment capacity.

To support this decision making process at the technical and political levels, the ARC Secretariat will provide training and guidance to countries on risk transfer, particularly on risk transfer parameter setting and its impact on premium levels. It will also work with countries to ensure that premium payment schedules align with national budget processes when possible. In some cases, countries will need donor support to meet their initial annual insurance premium payment requirements. It is envisaged that these discussions will be primarily bilateral between countries and their existing development and humanitarian partners in the context of ongoing food security and disaster risk management programmes. As requested, the Secretariat will support countries in these discussions with partners.

5) Improvement and enhancement of ARC’s Monitoring and Evaluation Capacity through finalization of the ARC process and financial audit

Throughout 2015 the Secretariat has been working to design process audit tools that could be used to monitor and evaluate the implementation of Contingency Plans in the case of a payout — with a view in particular to encourage early intervention to affected populations based on the availability of early financing. ARC contracted Kimetrica to develop process audit tools to use in the monitoring and evaluation of the insurance payout implementations for countries, to test and refine them on ARC’s first payouts, as well as to look at the training materials and MIS systems to support these process audit tools. In July and September of 2015 these instruments were tested in the three countries that received ARC payouts. Kimetrica provided draft reports on this initial country work which are currently being finalized based on the ARC Agency’s comments.

The ARC Secretariat will keep on collaborating with Kimetrica to finalize the instruments based on this country work so that they can be used to evaluate future payouts and guide the terms of reference for the firms that will later be identified to carry audits out. These instruments will be used in tandem with the financial audits that are carried out following a payout. Currently ARC is finalizing the procurement process to select a firm to conduct the financial audits of the countries that received the first three ARC payouts. As with Kimetrica’s work, the findings of the first financial audits will lead to refined Terms of Reference and auditing procedures for future payouts.

6) Test and refine the methodology to assess sovereign disaster risk finance capacity

The draft sovereign disaster risk finance capacity methodology developed by GCR and the ARC Secretariat in 2015 was tested to date only in Kenya. The Secretariat hopes to test and refine the methodology further in 2016 and to establish a consistent and coherent scale through its application to more current and prospective ARC Ltd member countries. Ultimately, while it could form a significant input to the PRM or to ARC Ltd as a measure of client investment and performance, such a methodology could be globally applicable and expanded on a wider scale to provide deeper
information about a States’ ability to elaborate, finance and effectively implement an emergency response plan in case of extreme weather events, opening up opportunities for a) access to additional ARC products in the future or b) greater use of contingency financing for the public sector. To avoid conflicts of interest, it is currently envisaged that assessments would be issued by an independent service provider.

7) Start O&E Insurance Research & Development

Following the events of 2014, global outbreak and epidemic (O&E) response is shifting to promote: 1) faster and more predictable funding, and 2) country ownership of the response. Building from ARC’s established approach and institutional structures, adding O&E to ARC’s insurance product offering would complement this changing landscape by achieving both these goals through a single mechanism designed specifically for ARC Member States.

As currently structured for drought, ARC would fund national O&E contingency plans, with levels of outbreak and epidemic risk for countries quantitatively modeled, and with payout triggers coming from accurate detection of distinct epidemiological events. ARC could address many of the problems inherent to the current O&E response infrastructure, including:

• Establishing a pool of capital that can be rapidly deployed;
• Incentivising countries to manage their internal risk and acknowledge O&E by tying declaration of epidemiological events (the International Health Regulation (IHR) reporting requirements) to immediate financial payout;
• Facilitating better health systems by promoting preparedness linked to better surveillance mechanisms;
• Promoting pan-African and sub-regional solidarity;
• Linking the African Union’s and its partners’ investments in the strengthening of health systems, country preparedness and the new African Centre for Disease Control;
• Complementing global initiatives, such as the World Bank’ Pandemic Financing Facility, with a country-driven approach focused on assisting individual African countries in taking responsibility for mitigating the risk of outbreaks becoming epidemics.

Following discussions with leading virologists and partners, such as the World Health Organization, World Bank and Centres for Disease Control, ARC has determined that the need for a specific O&E product exists and the data and financial tools available are sufficient to begin development of an insurance model for outbreaks and epidemics, with a view to offering a pilot product for at least one pathogen or pathogen family in 2017 to African Union Members States.

ARC’s research and development programme will focus on three key pillars: 1) to set continental contingency planning (including M&E) standards and guidelines for O&E response and Compliance Rules to be adopted by the Conference of the Parties of ARC Agency; 2) to model the risk of one major pathogen in 1-3 pilot countries and translate this model into a sovereign insurance product offering, and 3) to enhance Africa RiskView’s digital interface to assist decision makers in planning for an outbreak. If successful this product could be replicated for more pathogen families and countries.

In December 2015, the ARC Secretariat received its first grant from the Rockefeller Foundation to launch the R&D phase and will begin the risk modelling and country outreach work in early 2016, with the aim of trialing a first product in 2017. The work will require additional staff capacity within the Secretariat to be recruited in the coming months. Given the technical complexity of the work, the
time-critical nature of country operational response and its linkages to the actions of the global community, the ARC Secretariat will assemble an Advisory Panel including representatives from the African Centre for Disease Control, the Africa Against Ebola Trust, AU Commission, Conference of African Health Ministers, leading virologists, tropical medicine or other research institutions, World Health Organization, donors to the exercise, insurance and reinsurance companies, private sector actors, among others.

8) Research and Development of the Extreme Climate Facility (XCF)

In 2015, ARC began the XCF R&D phase through a multi-disciplinary work programme composed of three research and development pillars to explore a set of design questions:

- **Pillar 1: Adaptation Planning & Standards for Climate Resilient Investments**
  - Ascertain to what extent implementation-ready country-level adaptation plans exist, and compile best practice for the development of investment-ready adaption plans
  - Identify key actors and ARC partners in climate adaptation
  - Identify the absorption capacity and bottle necks for direct climate funding in Africa
  - Define XCF climate adaptation planning standards and guidelines, metrics for plan effectiveness
  - Unpack XCF cost benefit and value proposition

- **Pillar 2: Extreme Climate Indices (ECI) and Severe Event Thresholds**
  - Identify appropriate climate indices and thresholds that will be used to track increasing severity and frequency of weather extremes across Africa using market-ready datasets
  - Incorporate on-going ECI tracking into *Africa RiskView*
  - Building on existing research on time-dependent climate change detection, develop payout triggering methodology to signal significant shifts in a regional climate regime to one more conducive to generating extreme weather events
  - Conduct risk modelling to ascertain the probability of XCF payments and therefore risk transfer costs

- **Pillar 3: Legal and Financial Structure**
  - Using the ARC platform, explore legal structures and, if necessary, domiciles that could be considered for the XCF
  - Identify viable financing options for XCF’s long-term and innovative risk, market/donor risk appetite and potential size of the facility
  - Define interaction with, and role of, ARC Agency and operating principles
  - Define work-plan and budget to establish and operationalise the facility to segue into an establishment phase in 2016

2015 saw initial desk work conducted on all three pillars. In 2016, ARC will be bring more climate change adaptation planning expertise in-house and the ability to critically review and implement outsourced work pieces. Following this initial research work supported by CDKN, a second phase of Pillar 1 work in 2016 would include finalising XCF climate adaptation standards and guidelines for a first operational XCF phase, working with countries in anticipation of a first round of XCF funding and developing a cost-benefit analysis for XCF participation based on the findings of the initial research work. ARC Secretariat plans to engage a leading climate modelling organisation with significant
experience in regional climate modelling and in extreme event detection in Africa to review this work and conduct risk modelling work of the initial ECI work conducted in 2015 by AMIGO S.l.r..

Progress on Pillar 3 will be presented to the CoP in 2016, with recommendations regarding the legal and financial structure of XCF. Ultimately, Pillar 3 will bring together the work of the previous two Pillars, when they are completed, in order to create a coherent legal and financial structure for XCF that will integrate smoothly with ARC Agency’s other work.

The R&D phase is planned for two years with the intention of preparing a significant amount of the technical and political groundwork required to segue into an establishment phase sometime in late 2016. This would be followed by a first transaction to secure up to USD 500m of initial climate adaptation capital from the private markets through XCF for ARC Member States in 2017. In addition to CDKN and Rockefeller Foundation support, ARC is in discussions with the German Development Corporation (BMZ) for the remaining funds for required completion of Pillars 1-3 of the R&D phase in 2016/7.

9) Long-term evaluation of ARC

DFID has contracted Oxford Policy Management to design and deliver an independent evaluation of ARC. The evaluation has two components: the first, a two stage formative evaluation in years 1-2 and 3-4, and the second, a two stage impact evaluation in year 5 and year 10. Each stage of the evaluation process will inform performance reviews of ARC by DFID and other funding partners. The purpose of the evaluation is to identify and feed lessons learnt into the management of the programme (this will be investigated during the formative stage) and to test if risk pooling and transfer is a cost effective way to incentivise contingency planning and ensure rapid responses to drought and other extreme weather events. The Secretariat will need to work closely with the evaluators through the process which should provide programme staff with on-going feedback for program modifications (formative) as well as periodic review of long-term progress on major program goals and objectives (summative). The initial work on the long-term review began in November 2015.

10) Align ARC’s activities with other on-going donor and government initiatives on contingency planning and disaster financing

After two years of ARC in-country operations, in 2016 the Agency will begin an initiative to support countries in further aligning ARC’s work with their on-going disaster financing and contingency planning activities. While the ARC Secretariat works throughout the capacity building process with countries to pursue this alignment, given the myriad of activities that governments are pursuing in parallel, there is significant scope for greater coordination among initiatives and activities both government and donor lead. Starting in 2016, ARC will devote staff time and resources as requested by Member States to build greater synergies among these activities as well as ensure that ARC is providing the greatest possible benefit to its Member States.

In parallel, ARC will begin utilizing its contingency planning work to help facilitate partnerships between countries and interested donors to build greater capacity in countries to effectively implement the activities identified in these plans. This will essentially provide a pathway for ARC contingency planning activities to ‘crowd in’ donors to support building capacity for activities that countries prioritize and for which there is not sufficient capacity in country to implement. This staff
would work to link donors and NGOs to capacity building activities that are outside the direct scope of ARC’s work but were identified in ARC’s program with the government.

11) Completion of a Cost Benefit Analysis for drought, flood, and tropical cyclone insurance and contingency planning

In follow-up to ARC’s 2013 cost benefit analysis by Daniel Clarke and Ruth Hill, ”Cost-Benefit Analysis of the African Risk Capacity Facility” and after two years of operational experience, in 2016 ARC will commission a second cost benefit analysis to look at the critical research questions around the value of insurance to sovereigns and beneficiaries. For drought this Cost Benefit Analysis will build on the previous work done by Clarke and Hill but this new piece of research will also investigate critical questions about the value proposition of flood and tropical cyclone insurance. Because of the fundamental differences between responses needed for slow versus rapid onset events, the scope of this work will be significantly larger than the previous study. The output from this document will provide a guide for future ARC policies, capacity building and scope.

12) Continue participation in global fora on disaster risk financing, climate adaptation, epidemics, and resilience building for Africa governments

ARC will continue its participation in global fora around the key areas that underpin its strategic objectives and core activities as outlined in the strategic framework. This includes participating in the global conversations on risk financing, climate adaptation, epidemics, and resilience building for Africa governments in addition to working on knowledge products related to these topics. This work includes attendance at events, drafting of documents, and both written and in person contributions to key discussions in the global community.

13) Increase Treaty Signature and Ratification

ARC will also seek to increase the number of ARC Member States as well as increasing ratification of the ARC Treaty. This will include increased political outreach on this topic and discussion of ratification with Member States both by senior staff and Country Engagement Managers.

14) Replica Coverage

In December 2015, ARC announced its intention to offer insurance coverage to humanitarian actors in 2016 under a new programme called replica. In summary, replica will use index insurance as a tool for managing rapid financial flows in an objective way after weather disasters – turning constant premium flow into immediate liquidity when independently triggered – that will leverage the ARC infrastructure on country-led contingency planning and response implementation, bringing efficiency and better coordination of response through a government-led and owned process while building national capacity for disaster response over time.

In the most simple terms for an ARC country replica will mean the following: countries that have been managing their weather risk with ARC insurance for two consecutive years become eligible for replica coverage should they want it. If they do, this means an international organization or an NGO partner will take out a matching insurance policy, i.e. buy the same insurance policy that the country will be
buying, for the year ahead. This means if there is a payout at the end of that insured rainfall season, the payout size will be effectively doubled and, using their payout, the IO/NGO will help the government scale their timely response, to reach more affected people, and boost operational capacity in the response. However, for replica coverage to be approved by ARC, the partner entity must work with the country to incorporate their coordinated response plans into the approved national ARC Operations Plan. This plan must be approved by the country and then by the ARC Agency Board, before the partner can buy replica coverage from ARC. Should a payout be triggered, the parties will have to draft a FIP which details the planned coordinated response given the specific scenario outlining activities and responsibilities. The FIP will be submitted to the ARC Agency Board by the country and once approved the two payouts will be released for implementation. This parallels the existing ARC insurance process where a country must have its Operations Plan, detailing how it will spend a potential insurance payout, approved by the Board before it is eligible to buy insurance from ARC’s financial affiliate ARC Ltd. It must also have a FIP approved before a triggered payout is released from ARC Ltd to the organization.

Over time replica coverage will essentially double the size of ARC Ltd’s portfolio and the number of people that can be covered by ARC. In 2016, the ARC Secretariat aims to draft the standards and guidelines for replica coverage and pilot the concept with Pool 1 countries.
Introductory Note to the 2016 ARC Agency Budget

Introduction to the 2016 Budget

ARC Budget 2016

<table>
<thead>
<tr>
<th>Budget Category</th>
<th>Amount (USD)</th>
<th>% of ARC Agency Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Admin</td>
<td>1,293,268</td>
<td>10%</td>
</tr>
<tr>
<td>Oversight, Strategic Direction &amp; Political</td>
<td>1,496,902</td>
<td>12%</td>
</tr>
<tr>
<td>Programme &amp; Operations</td>
<td>5,038,776</td>
<td>40%</td>
</tr>
<tr>
<td>Research &amp; Development</td>
<td>4,728,785</td>
<td>38%</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>12,557,732</strong></td>
<td></td>
</tr>
<tr>
<td>Indirect Support Costs (7%)</td>
<td>879,041</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL BUDGET (ARC AGENCY)</strong></td>
<td><strong>13,436,773</strong></td>
<td></td>
</tr>
</tbody>
</table>

The ARC Agency Budget for 2016 is 9,437,944 USD. The 2015 Budget was 9.5 Million USD. For 2016 ARC has tried to find efficiencies wherever possible despite increasing the number of countries insured (however it should be noted that the 2016 budget may grow if changes to the envisaged Programme of Work are required).

On top of this is the WFP Indirect Support Cost charge as per the Administrative Service Agreement between ARC and WFP.

In addition to the core work of the ARC Agency there are currently 2 separate research and development projects being undertaken for the Extreme Climate Facility (XCF) and Outbreak and Epidemic (O&E or ‘OnE’). Their budgets are presented here separately and funds have been sought for these projects separately.
For 2016 the XCF Budget is of 1.8 Million USD. This R&D project is due to end mid-2017 at which point this product and supporting costs would become part of the ARC Agency proper budget. The Rockefeller Foundation has contributed initial funds for this R&D to begin in 2015 and in December 2015 KfW received internal clearance to cover the balance (agreements are currently being drawn up).

For 2016 the O&E Budget is of 2.2 Million USD. This R&D project is due to end at the end of 2017 at which point this product and supporting costs would become part of the ARC Agency proper budget. In December 2015 the Rockefeller Foundation contributed initial funds for this R&D to begin and KfW is considering a proposal to cover the balance.

This brings the total budget for 2016 (including ARC Agency, XCF and O&E) to 13,436,733 USD.

**Introduction to the projected 2016 -2020 budget**

### 2015 - 2020 Summary

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>ARC AGENCY</strong></td>
<td>8,881,595</td>
<td>8,820,509</td>
<td>9,846,530</td>
<td>12,013,623</td>
<td>12,379,906</td>
<td>12,604,153</td>
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<tr>
<td>Indirect Support Costs (7%)</td>
<td>621,712</td>
<td>617,436</td>
<td>689,257</td>
<td>840,954</td>
<td>866,593</td>
<td>882,291</td>
</tr>
<tr>
<td><strong>TOTAL BUDGET (ARC AGENCY)</strong></td>
<td>9,503,307</td>
<td>9,437,944</td>
<td>10,535,787</td>
<td>12,854,577</td>
<td>13,246,500</td>
<td>13,486,443</td>
</tr>
<tr>
<td>Increase on previous year</td>
<td>-1%</td>
<td>12%</td>
<td>22%</td>
<td>3%</td>
<td>2%</td>
<td></td>
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<td><strong>Budget Category</strong></td>
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<td>2016</td>
<td>2017</td>
<td>2018</td>
<td>2019</td>
<td>2020</td>
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<tr>
<td><strong>Extreme Climate Facility (XCF)</strong></td>
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<td>1,678,140</td>
<td>766,052</td>
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<tr>
<td>Indirect Support Costs (7%)</td>
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<td>117,470</td>
<td>53,624</td>
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<tr>
<td><strong>TOTAL BUDGET (XCF)</strong></td>
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<td>1,795,610</td>
<td>819,676</td>
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<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>ARC Outbreak and Epidemic (O&amp;E)</strong></td>
<td>0</td>
<td>2,059,083</td>
<td>3,021,984</td>
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<tr>
<td>Indirect Support Costs (7%)</td>
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<td>211,539</td>
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<tr>
<td><strong>TOTAL BUDGET (O&amp;E)</strong></td>
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<td>2,203,219</td>
<td>3,233,523</td>
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<td>-</td>
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</table>

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Budget</strong></td>
<td>11,049,475</td>
<td>12,557,732</td>
<td>13,634,566</td>
<td>12,013,623</td>
<td>12,379,906</td>
<td>12,604,153</td>
</tr>
<tr>
<td>Indirect Support Costs (7%)</td>
<td>773,463</td>
<td>879,041</td>
<td>954,420</td>
<td>840,954</td>
<td>866,593</td>
<td>882,291</td>
</tr>
<tr>
<td><strong>TOTAL BUDGET (ARC AGENCY, XCF and O&amp;E)</strong></td>
<td>11,822,938</td>
<td>13,436,773</td>
<td>14,588,986</td>
<td>12,854,577</td>
<td>13,246,500</td>
<td>13,486,443</td>
</tr>
<tr>
<td>Increase on previous year</td>
<td>14%</td>
<td>9%</td>
<td>-12%</td>
<td>3%</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

The 2016 ARC Agency Budget is slightly less than the 2015 budget. For 2016 ARC has tried to find efficiencies wherever possible despite increasing the number of countries insured (however it should be noted that the 2016 budget may grow if changes to the envisaged Programme of Work are required).

Moving forward an annual inflation rate of 2.5% has been used but ARC also aims to significantly increase the number of countries insured going forward.
XCF R&D is planned to end mid-2017, so from mid-2017 XCF is added to ARC Agency's programme budget. This is part of the reason for the increase in the Agency budget in 2017 over 2016.

O&E R&D begins in 2016 (increasing the Total budget by 14% in 2016 vs. 2015 even though ARC Agency budget itself is lower in 2016 than in 2015). O&E R&D is planned to end at the end of 2017 so from 2018 O&E is added to ARC Agency's programme budget which is part of the reason for the increase in the Agency budget in 2018 over 2017 even though the Total budget decreases in 2018 (assuming no additional R&D projects or significant changes in the Programme of Work).
## PERSONNEL COST

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Grade</th>
<th>Location</th>
<th>Unit</th>
<th>2015</th>
<th>2016</th>
<th>Quantity</th>
<th>Cost</th>
<th>Unit Cost</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director General, ASG</td>
<td>ASG</td>
<td>Joburg</td>
<td>monthly</td>
<td>31,745</td>
<td>380,940</td>
<td>12</td>
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<td>USD</td>
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<tr>
<td>Executive Assistant</td>
<td>G7</td>
<td>Joburg</td>
<td>monthly</td>
<td>3,100</td>
<td>37,200</td>
<td>12</td>
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<td>USD</td>
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<tr>
<td>Chief of Staff</td>
<td>D1</td>
<td>Joburg</td>
<td>monthly</td>
<td>24,905</td>
<td>149,430</td>
<td>6</td>
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<td>USD</td>
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<tr>
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<td>11,543</td>
<td>138,510</td>
<td>12</td>
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<td>USD</td>
<td></td>
</tr>
<tr>
<td>Lead Technical Officer</td>
<td>P5</td>
<td>Joburg</td>
<td>monthly</td>
<td>23,085</td>
<td>277,020</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
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</tr>
<tr>
<td>Senior Monitoring &amp; Evaluation Officer</td>
<td>P4</td>
<td>Joburg</td>
<td>monthly</td>
<td>19,300</td>
<td>231,600</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Monitoring &amp; Evaluation Associate Officer</td>
<td>P2-JPO</td>
<td>Joburg</td>
<td>monthly</td>
<td>-</td>
<td>-</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Economist</td>
<td>Consultant</td>
<td>Joburg</td>
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<td>550</td>
<td>22,000</td>
<td>40</td>
<td>USD</td>
<td>USD</td>
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</tr>
<tr>
<td>Legal Counsel and Secretary to the Board, Consultant</td>
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<td>Joburg</td>
<td>monthly</td>
<td>19,300</td>
<td>231,600</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Legal Associate Officer</td>
<td>P2</td>
<td>Joburg</td>
<td>monthly</td>
<td>10,100</td>
<td>121,200</td>
<td>12</td>
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<td>USD</td>
<td></td>
</tr>
<tr>
<td>Senior Legal Advisor</td>
<td>Consultant</td>
<td>Rome</td>
<td>daily</td>
<td>660</td>
<td>33,000</td>
<td>50</td>
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<td>USD</td>
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<tr>
<td>ARC Special Advisor</td>
<td>Consultant</td>
<td>Joburg</td>
<td>daily</td>
<td>700</td>
<td>33,600</td>
<td>48</td>
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</tr>
<tr>
<td>Director of Research &amp; Development</td>
<td>D1</td>
<td>NY</td>
<td>monthly</td>
<td>24,800</td>
<td>299,200</td>
<td>52</td>
<td>USD</td>
<td>USD</td>
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</tr>
<tr>
<td>R&amp;D Analyst</td>
<td>P3</td>
<td>Rome</td>
<td>monthly</td>
<td>14,800</td>
<td>172,080</td>
<td>12</td>
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</tr>
<tr>
<td>Agronomist and Data Specialist</td>
<td>Consultant</td>
<td>daily</td>
<td></td>
<td>538</td>
<td>38,745</td>
<td>72</td>
<td>USD</td>
<td>USD</td>
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<tr>
<td>Lead ARV Engineer</td>
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<td>daily</td>
<td></td>
<td>564</td>
<td>84,563</td>
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<tr>
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<td></td>
<td>538</td>
<td>80,719</td>
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<tr>
<td>ARV Developer</td>
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<td>166</td>
<td>29,216</td>
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<td>GIS &amp; Flood Model Analyst</td>
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<td></td>
<td>410</td>
<td>72,160</td>
<td>176</td>
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<tr>
<td>Senior Client Services Officers</td>
<td>P4</td>
<td>Joburg</td>
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<td>231,600</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
<td></td>
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<tr>
<td>Senior Risk Transfer Expert</td>
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<td></td>
<td>533</td>
<td>15,990</td>
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</tr>
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<td>Risk Management Associate Professional Officer</td>
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<td>monthly</td>
<td>-</td>
<td>-</td>
<td>12</td>
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<td>USD</td>
<td></td>
</tr>
<tr>
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<td>D1</td>
<td>Joburg</td>
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<td>24,905</td>
<td>298,860</td>
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<td>Technical Team Coordination Officer</td>
<td>P4</td>
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<td>monthly</td>
<td>19,300</td>
<td>231,600</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Risk Analyst</td>
<td>P3</td>
<td>Joburg</td>
<td>monthly</td>
<td>15,280</td>
<td>183,360</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Risk Analyst</td>
<td>P3</td>
<td>Joburg</td>
<td>monthly</td>
<td>15,280</td>
<td>183,360</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
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</tr>
<tr>
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<td>121,200</td>
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<td>USD</td>
<td>USD</td>
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</tr>
<tr>
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<td>Joburg</td>
<td>monthly</td>
<td>19,300</td>
<td>231,600</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
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</tr>
<tr>
<td>Country Engagement Manager (Francophone)</td>
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<td>Joburg</td>
<td>monthly</td>
<td>15,280</td>
<td>183,360</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
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</tr>
<tr>
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<td>monthly</td>
<td>3,290</td>
<td>39,483</td>
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<tr>
<td>Country Engagement Manager (Francophone)</td>
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<td>Joburg</td>
<td>monthly</td>
<td>15,280</td>
<td>183,360</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
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<td>P1</td>
<td>Joburg</td>
<td>monthly</td>
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<td>98,040</td>
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<tr>
<td>Liaison Officer</td>
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<td>daily</td>
<td></td>
<td>410</td>
<td>24,600</td>
<td>60</td>
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<td>USD</td>
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<td>Joburg</td>
<td>monthly</td>
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<td>91,680</td>
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<tr>
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<td></td>
<td>400</td>
<td>24,000</td>
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<td>USD</td>
<td>USD</td>
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</tr>
<tr>
<td>Senior Contingency Planning Officer</td>
<td>P4</td>
<td>Joburg</td>
<td>monthly</td>
<td>19,300</td>
<td>231,600</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Contingency Planning Officer</td>
<td>P3</td>
<td>Joburg</td>
<td>monthly</td>
<td>15,280</td>
<td>183,360</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Contingency Planning Officer (JPO)</td>
<td>P2</td>
<td>Joburg</td>
<td>monthly</td>
<td>5,050</td>
<td>40,400</td>
<td>8</td>
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<td>XCF Chief of Programme</td>
<td>P5</td>
<td>Joburg</td>
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<td>23,085</td>
<td>-</td>
<td>-</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Programme Officer (Adaptation Planning)</td>
<td>P3</td>
<td>Joburg</td>
<td>monthly</td>
<td>15,280</td>
<td>-</td>
<td>-</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Programme Analyst (Technical)</td>
<td>P3</td>
<td>Joburg</td>
<td>monthly</td>
<td>15,280</td>
<td>-</td>
<td>-</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>O&amp;E Chief of Programme</td>
<td>P5</td>
<td>Joburg</td>
<td>monthly</td>
<td>23,085</td>
<td>-</td>
<td>-</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Senior Public Health Officer</td>
<td>P4</td>
<td>Joburg</td>
<td>monthly</td>
<td>19,300</td>
<td>-</td>
<td>-</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Contingency Planning Officer</td>
<td>P3</td>
<td>Joburg</td>
<td>monthly</td>
<td>15,280</td>
<td>-</td>
<td>-</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Senior Finance and Administration Officer</td>
<td>P4</td>
<td>Joburg</td>
<td>monthly</td>
<td>19,300</td>
<td>231,600</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
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<tr>
<td>Project Management Consultant</td>
<td>Consultant</td>
<td>monthly</td>
<td>333</td>
<td>51,301</td>
<td>154</td>
<td>51,301</td>
<td></td>
<td>USD</td>
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<tr>
<td>HR Asst. and Rome Liaison</td>
<td>G5</td>
<td>Rome</td>
<td>monthly</td>
<td>8,330</td>
<td>99,960</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
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<tr>
<td>Admin Assistant</td>
<td>G5</td>
<td>Joburg</td>
<td>monthly</td>
<td>2,852</td>
<td>34,222</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
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</tr>
<tr>
<td>Travel Assistant</td>
<td>G5</td>
<td>Joburg</td>
<td>monthly</td>
<td>2,564</td>
<td>30,769</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
<td></td>
</tr>
<tr>
<td>Driver/Messenger</td>
<td>G3</td>
<td>Joburg</td>
<td>monthly</td>
<td>2,500</td>
<td>29,216</td>
<td>12</td>
<td>USD</td>
<td>USD</td>
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### WFP Positions Funded by ARC

- **WFP HR Consultant**
  - Consultant | Rome | monthly | 5,672 | 68,068 |
- **WFP HR Office Assistant G3**
  - G3 | Rome | monthly | 5,585 | 67,020 |
- **WFP Regional Procurement Officer, G5**
  - G5 | Joburg | monthly | 2,990 | 35,879 |
- **WFP Regional Admin Officer, G5**
  - G5 | Joburg | monthly | 2,990 | 35,879 |
- **WFP Regional Admin Officer, NO**
  - NO | Joburg | monthly | 4,000 | 48,000 |
### Sub-total Personnel Costs

<table>
<thead>
<tr>
<th>Position</th>
<th>Unit Cost</th>
<th>Quantity</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director General</td>
<td>ASG</td>
<td>JNB</td>
<td>6,349</td>
</tr>
<tr>
<td>Director of Research &amp; Development</td>
<td>D1</td>
<td>NY</td>
<td>12,300</td>
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<tr>
<td>Chief Operations Officer</td>
<td>D1</td>
<td>JNB</td>
<td>4,981</td>
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<tr>
<td>XCF Chief of Programme, P5</td>
<td>P5</td>
<td>JNB</td>
<td>23,085</td>
</tr>
<tr>
<td>Programme Analyst (Adaptation &amp; Donor Relations), P3</td>
<td>P3</td>
<td>JNB</td>
<td>15,280</td>
</tr>
<tr>
<td>Programme Analyst (Financial &amp; Technical), P3</td>
<td>P3</td>
<td>JNB</td>
<td>15,280</td>
</tr>
<tr>
<td>Project Manager</td>
<td>P3</td>
<td>JNB</td>
<td>15,280</td>
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<tr>
<td>CEMs</td>
<td>P3</td>
<td>JNB</td>
<td>15,280</td>
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Sub-total Personnel Costs after cost share: 

- **Month**: 5,686,255
- **USD**: 5,142,119

### Travel and Per Diem

<table>
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<th>Budget Item</th>
<th>Unit Cost</th>
<th>Quantity</th>
<th>Total Cost</th>
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<tbody>
<tr>
<td>Duty Travel &amp; Meetings</td>
<td>70,000</td>
<td>12</td>
<td>840,000</td>
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<tr>
<td>Monthly Subsistence Living Sum (International Consultants)</td>
<td>2,500</td>
<td>12</td>
<td>30,000</td>
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Sub-total Travel and Per Diem: 

- **Month**: 840,000
- **USD**: 870,000

### Program Costs

<table>
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<th>Budget Item</th>
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<th>Quantity</th>
<th>Total Cost</th>
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<tbody>
<tr>
<td>State Party Consultations and Conferences of the Parties</td>
<td>Event</td>
<td>85,000</td>
<td>85,000</td>
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<tr>
<td>ARC Agency Governing Board Meetings</td>
<td>2x Board meetings</td>
<td>Event</td>
<td>75,000</td>
</tr>
<tr>
<td>Financial Audit of Country Operations</td>
<td>Lump sum</td>
<td>100,000</td>
<td>240,000</td>
</tr>
<tr>
<td>Whistleblower</td>
<td>country</td>
<td>8,460</td>
<td>45,684</td>
</tr>
<tr>
<td>ARC Government Coordination Services</td>
<td>monthly</td>
<td>39,000</td>
<td>468,000</td>
</tr>
<tr>
<td>ARC Visibility Events</td>
<td>Event</td>
<td>60,000</td>
<td>180,000</td>
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<tr>
<td>Public Relations Services</td>
<td>Lump sum</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Workshops &amp; Trainings - R&amp;D</td>
<td>Event</td>
<td>60,000</td>
<td>180,000</td>
</tr>
<tr>
<td>Commissioned Policy and Economic Work - Cost Benefit Analysis</td>
<td>Lump sum</td>
<td>100,000</td>
<td>100,000</td>
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<tr>
<td>ARV Refinement - Commissioned Work</td>
<td>Lump sum</td>
<td>300,000</td>
<td>0</td>
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<tr>
<td>Workshops &amp; Trainings - Cap. Building - Risk Transfer</td>
<td>Lump sum</td>
<td>75,000</td>
<td>2</td>
</tr>
<tr>
<td>Workshops &amp; Trainings - Cap. Building - Africa RiskView</td>
<td>Lump sum</td>
<td>75,000</td>
<td>2</td>
</tr>
<tr>
<td>Workshops &amp; Trainings - In-country Capacity Building Workshops</td>
<td>Lump sum</td>
<td>8,000</td>
<td>15</td>
</tr>
<tr>
<td>Operations Plans Technical Review (Chair Honorarium, Travel, Wkshp)</td>
<td>Lump sum</td>
<td>110,000</td>
<td>1</td>
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<tr>
<td>Final Implementation Plan Process Audit</td>
<td>Lump sum</td>
<td>30,000</td>
<td>72,000</td>
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<tr>
<td>Online Learning Devt/ Training Portal</td>
<td>50,000</td>
<td>1</td>
<td>50,000</td>
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Sub-total Program Costs: 

- **USD**: 2,200,684

### Equipment and Supplies

<table>
<thead>
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<th>Budget Item</th>
<th>Unit Cost</th>
<th>Quantity</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Supplies &amp; Equipment</td>
<td>Month</td>
<td>5,000</td>
<td>60,000</td>
</tr>
<tr>
<td>TC/IT Equipment</td>
<td>Lump sum</td>
<td>2,000</td>
<td>30,000</td>
</tr>
<tr>
<td>TC/IT Services - Internet, phones, RB services and support</td>
<td>Month</td>
<td>8,000</td>
<td>12</td>
</tr>
<tr>
<td>ICT per capita cost - WFP corporate IT services</td>
<td>per person</td>
<td>1,654</td>
<td>39</td>
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Sub-total Equipment and Supplies: 

- **USD**: 250,506

### Other Costs

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Unit Cost</th>
<th>Quantity</th>
<th>Total Cost</th>
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</thead>
<tbody>
<tr>
<td>Translation Services</td>
<td>Month</td>
<td>9,000</td>
<td>108,000</td>
</tr>
<tr>
<td>Graphic Design Services</td>
<td>Lump sum</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Rent &amp; Utilities - Johannesburg Office</td>
<td>Month</td>
<td>8,000</td>
<td>96,000</td>
</tr>
<tr>
<td>Office Transportation</td>
<td>month</td>
<td>600</td>
<td>7,200</td>
</tr>
<tr>
<td>ARC Retreat</td>
<td>2 x Events per Event</td>
<td>30,000</td>
<td>2</td>
</tr>
<tr>
<td>Staff Development &amp; Training</td>
<td>Month</td>
<td>2,000</td>
<td>24,000</td>
</tr>
<tr>
<td>Other costs (Printing, Visa fees)</td>
<td>Month</td>
<td>1,000</td>
<td>12,000</td>
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Sub-total Other Costs: 

- **USD**: 357,200

### Total Direct Costs

- **USD**: 8,820,509

### Indirect Support Costs

<table>
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<th>Budget Item</th>
<th>Rate</th>
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<tr>
<td>Translation</td>
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<td>365,800</td>
<td>357,200</td>
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### Total Costs

- **USD**: 9,437,944

---

### Extreme Climate Facility (XCF)

#### Pillar 1, 2 & 3

<table>
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<tr>
<th>Budget item</th>
<th>Location</th>
<th>Unit</th>
<th>Cost</th>
<th>Unit Cost</th>
<th>Quantity</th>
<th>Total Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Cost</td>
<td>USD</td>
<td>USD</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2016</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Direct Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Indirect Support Costs</strong></td>
<td>Rate</td>
<td>7%</td>
<td>365,800</td>
<td>357,200</td>
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**ARC COP4/D025.2901_16**

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**48**
### Project Management

<table>
<thead>
<tr>
<th>Days</th>
<th>0</th>
<th>80</th>
<th>0</th>
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</thead>
</table>

#### TRAVEL AND PER DIEM

| Staff Duty Travel | Trip | 5,000 | 20 | 100,000 |
| Consultant Travel | Trip | 5,000 | 10 | 50,000 |
| Workshops and Meetings | Workshop | 60,000 | 1 | 60,000 |

Sub-total Travel and Per Diem 210,000

#### PROGRAMME COSTS

- Outsourced work for Pillar 1
  - Lump sum
  - 0
  - 0

- Outsourced work for Pillar 2 - ECI and Triggering Mechanism
  - Lump sum
  - 0
  - 0

- Outsourced work for Pillar 2 - Risk Modelling
  - Lump sum
  - 200,000
  - 2
  - 400,000

- Pillar 2 - Modelling Review by ext. Risk Modelling Firm
  - Lump sum
  - 100,000
  - 1
  - 100,000

Sub-total Consultants 180,250

#### TRAVEL AND PER DIEM

- Travel to Countries
  - Trip/Person
  - 2,400
  - 30
  - 72,000

- Conferences and Partnership Development
  - Trip/Person
  - 7,000
  - 4
  - 28,000

- Workshops and Meetings
  - Workshop
  - 40,000
  - 3
  - 120,000

- Conference of African Health Ministers
  - Conference
  - 350,000
  - 0
  - 0

Sub-total Travel and Per Diem 220,000

#### PROGRAMME COSTS

- Outsourced work - Risk Profiling & Initial Risk Modelling for 1 Pathogen, 3 Countries
  - Lump sum
  - 350,000
  - 1
  - 350,000

- Outsourced work - CP Guidelines and Standards
  - Lump sum
  - 250,000
  - 1
  - 250,000

- Outsourced work (ARC Ltd and Team) - Index and Triggering Mechanism
  - Lump sum
  - 0
  - 0
  - 0

- Modelling Review by Risk Modelling Firm
  - Lump sum
  - 0
  - 0
  - 0

- Outsourced work - Design Study for Replica Policy Coverage
  - Lump sum
  - 150,000
  - 1
  - 150,000

- Outsourced work - Risk Modelling for additional pathogens
  - Lump sum
  - 60,000
  - 0
  - 0

- ARC Team - Customization per country/contract specification
  - Lump sum
  - 100,000
  - 3
  - 300,000

Sub-total Programme Costs 1,050,000

#### EQUIPMENT AND SUPPLIES

- Office Supplies & Equipment
  - Annual
  - 10,000
  - 1
  - 10,000

### ARC Outbreak and Epidemic (O&E) Insurance Product

#### 2015 2016

<table>
<thead>
<tr>
<th>Budget item</th>
<th>Location</th>
<th>Unit</th>
<th>Cost</th>
<th>Unit Cost</th>
<th>Quantity</th>
<th>Cost</th>
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<tr>
<td>O&amp;E Core Team</td>
<td></td>
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<tr>
<td>OnE Lead Programme Manager, P5</td>
<td>P5</td>
<td>JNB</td>
<td>Month</td>
<td>23,085</td>
<td>10</td>
<td>230,850</td>
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<td>Senior Public Health Officer, P4</td>
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<td>JNB</td>
<td>Month</td>
<td>19,300</td>
<td>6</td>
<td>115,800</td>
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<td>Contingency Planning Officer P3</td>
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<td>JNB</td>
<td>Month</td>
<td>15,280</td>
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<td>0</td>
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<td>Additional Agency Resources</td>
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<tr>
<td>Director General</td>
<td>ASG</td>
<td>JNB</td>
<td>Month</td>
<td>1,587</td>
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<td>D1</td>
<td>NY</td>
<td>Month</td>
<td>2,460</td>
<td>12</td>
<td>29,520</td>
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<tr>
<td>Project Manager</td>
<td>P3</td>
<td>JNB</td>
<td>Month</td>
<td>1,528</td>
<td>12</td>
<td>18,336</td>
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<tr>
<td>Country Engagement Managers (2 pax)</td>
<td>P3</td>
<td>JNB</td>
<td>Month</td>
<td>6,112</td>
<td>6</td>
<td>36,672</td>
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<td>Lead Client Services Manager for Risk Transfer</td>
<td>P4</td>
<td>JNB</td>
<td>Month</td>
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<td>0</td>
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<td>Sub-total Personnel Costs</td>
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<td>450,225</td>
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#### GOVERNANCE & LEGAL COSTS

- Advisory Committee Honoraria (7 people)
  - Days
  - 500
  - 14
  - 7,000

- Advisory Committee Meetings
  - Meeting
  - 70,000
  - 1
  - 70,000

- Legal Advisor (Contracts, ARC Ltd Byelaws Review, Member Relations)
  - Days
  - 700
  - 20
  - 14,000

Sub-total Governance Costs 91,000

#### CONSULTANTS

- Software Developer
  - Days
  - 550
  - 20
  - 11,000

- Policy Analyst (AU/Govt Relations, Donor Reporting, Comms) P3 level
  - JNB
  - Months
  - 7,000
  - 6
  - 42,000

- Graphic Designer (Reports and Visualization)
  - Days
  - 440
  - 20
  - 8,800

- Independent Review of Contingency Planning Standards & Guidelines
  - Days
  - 450
  - 21
  - 9,450

- Translation
  - Days
  - 300
  - 30
  - 9,000

- Public Relations (Firm)
  - Lump sum
  - 100,000
  - 1
  - 100,000

Sub-total Consultants 180,250

#### TRAVEL AND PER DIEM

- Travel to Countries
  - Trip/Person
  - 2,400
  - 30
  - 72,000

- Conferences and Partnership Development
  - Trip/Person
  - 7,000
  - 4
  - 28,000

- Workshops and Meetings
  - Workshop
  - 40,000
  - 3
  - 120,000

- Conference of African Health Ministers
  - Conference
  - 350,000
  - 0
  - 0

Sub-total Travel and Per Diem 220,000

#### PROGRAMME COSTS

- Outsourced work - Risk Profiling & Initial Risk Modelling for 1 Pathogen, 3 Countries
  - Lump sum
  - 350,000
  - 1
  - 350,000

- Outsourced work - CP Guidelines and Standards
  - Lump sum
  - 250,000
  - 1
  - 250,000

- Outsourced work (ARC Ltd and Team) - Index and Triggering Mechanism
  - Lump sum
  - 0
  - 0

- Modelling Review by Risk Modelling Firm
  - Lump sum
  - 0
  - 0

- Outsourced work - Design Study for Replica Policy Coverage
  - Lump sum
  - 150,000
  - 1
  - 150,000

- Outsourced work - Risk Modelling for additional pathogens
  - Lump sum
  - 60,000
  - 0
  - 0

- ARC Team - Customization per country/contract specification
  - Lump sum
  - 100,000
  - 3
  - 300,000

Sub-total Programme Costs 1,050,000

#### EQUIPMENT AND SUPPLIES

- Office Supplies & Equipment
  - Annual
  - 10,000
  - 1
  - 10,000

49
<table>
<thead>
<tr>
<th>Item</th>
<th>Unit</th>
<th>Rate</th>
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<tr>
<td>Rent</td>
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<tr>
<td>TC/IT Equipment</td>
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<tr>
<td>TC/IT Services - Internet, phones, RB services and support</td>
<td>Month</td>
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<td>ICT per capita cost - WFP corporate IT services</td>
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<td>414</td>
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<td>Sub-total Equipment and Supplies</td>
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<td><strong>TOTAL Direct Costs</strong></td>
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<td><strong>TOTAL Costs</strong></td>
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<td></td>
<td></td>
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Annex 5

Compliance Rules

I. Background

The Agreement for the Establishment of the African Risk Capacity (ARC) Agency (the Establishment Agreement) vests in the ARC Conference of the Parties (CoP) the authority to “adopt rules for ensuring Parties’ compliance with approved Contingency Plans” (the Compliance Rules).\(^{10}\) The ARC Agency Governing Board (the Board) is responsible for monitoring the implementation of Contingency Plans and for applying the Compliance Rules, if necessary.\(^{11}\) The Compliance Rules help ensure the integrity and continuity of ARC, and are therefore a critical part of the overall ARC structure.

1. The Importance of Contingency Plans

ARC aims to improve the speed at which natural disaster response activities are implemented in participating ARC Member States (the Members) through the timely and predictable provision of funds. The purpose of the Contingency Plans is to delineate the use of an insurance payout (an ARC Payout) from the ARC Insurance Company Limited (ARC Ltd) in advance so that if a Member receives a payout in a natural disaster situation, it will be prepared to use the funds immediately and efficiently, capitalizing on the advantages of early intervention. Such planning is critical to ensuring that ARC Payouts are used effectively.

Creating and following a Contingency Plan is also important for ensuring the integrity of ARC and its continued access to funding. In its early years, ARC Ltd will be capitalized by development partners, although it is hoped that over time ARC Ltd will become financially self-sufficient. ARC Ltd will also rely on market-based financial transactions to manage risk. Both the financial markets and development partners will be very sensitive to the perception that ARC Ltd insurance payouts are being used inappropriately. Both the CoP and the Board have critical roles to play in making sure that ARC Ltd payouts are used effectively, thereby maintaining the reputation of ARC.

2. The Contingency Planning Standards and Guidelines

The Establishment Agreement requires that the Board establish standards for the development and updating of Contingency Plans.\(^{12}\) According to the Contingency Planning Standards and Guidelines (the CP Standards) that have been approved by the Board,\(^{13}\) Members must submit two different types of plans: Operations Plans and Final Implementation Plans (FIP) (collectively, the Plans), which will together constitute a Member’s Contingency Plan.

\(^{10}\) See the Establishment Agreement, Article 13, paragraph 2 (h).

\(^{11}\) See the Establishment Agreement, Article 15, paragraph 1 (m).

\(^{12}\) See the Establishment Agreement, Article 15, paragraph 1 (k-l).

\(^{13}\) See the CP Standards, CoP Reference Documents.
In order to take out insurance from ARC Ltd, a Member must have an Operations Plan approved by the Board. This Operations Plan must meet the criteria for Operations Plans laid out in the CP Standards. Operations Plans are intended to be flexible. Some Members may propose several potential activities that could be funded by an ARC payout with the intention of choosing from among the activities based on the specific situation at the time of a payout. Other Members may include only one activity that they believe will be suitable in any natural disaster situation. Each proposed activity should have both an Operations Plan and a draft Implementation Plan.

When a Member has an approved Operations Plan and has met all of the Criteria for Granting of Certificates of Good Standing (the CGS Criteria) adopted by the CoP, it may purchase insurance from the ARC Ltd. If certain conditions are met, the affected Member will be required to submit a FIP detailing how the ARC payout would be deployed, given the specific situation. The FIP should be a more detailed version of the draft Implementation Plan that the Member submitted prior to purchasing insurance, and it should include only activities that were previously approved as part of the Operations Plan. If a Member wishes to implement an activity that was not included in its approved Operations Plan, it may amend its Operations Plan prior to submission of the FIP, or it may seek a waiver if it wishes to amend its FIP after implementation has begun. ARC Ltd may not make an insurance payout until the Board has approved the FIP.

What constitutes an appropriate Plan will vary from Member to Member, but whatever Plans a particular Member has submitted, it will be important for the Member to use the ARC Ltd insurance payout in a way that conforms to those Plans. The Board will monitor each Member’s compliance through the monitoring and evaluation process, relying on the Monitoring Reports provided to the Secretariat.

3. Monitoring and Evaluation

When a Member receives an ARC Payout, it should immediately begin implementing its approved FIP to assist affected communities (the FIP Implementation). A FIP Implementation is monitored through regular reporting by the Member detailing the use of the ARC Payout. Member reporting includes:

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14 See the Establishment Agreement, Article 15, paragraph 1 (k-l).
16 Report and Decisions of the Second Conference of the Parties of the African Risk Capacity (ARC) Agency, paragraph 9 (i)
17 In the case of drought, a FIP will be required if a payout is likely, with likely being defined as: i. when the certainty of an insurance payout is greater than 70% within two months of the potential payout date; or ii. if at the end of the sowing window defined in the insurance contract, it is determined that a country will be entitled to an insurance payout, regardless of the rainfall conditions for the remainder of the insured season. The Director General of the ARC Agency may also declare a payout likely based on the monitoring of the Africa RiskView Software. In the case of a sudden onset disaster such as flood or tropical cyclone, a FIP will be required when a payout is triggered, and may be reviewed using a modified process.
18 The CP Standards.
i. Regular discussions with Secretariat staff;

ii. Monthly reports during the Operation; and

iii. A Final Implementation Report detailing the financial and operational aspects of the full implementation process (the Final Implementation Report)

(collectively, the Member Reports).

In addition to the Member Reports, the ARC Agency engages independent firms to conduct Process and Financial Audits of FIP Implementations (collectively, the Audit Reports). A Whistleblower Hotline, described in Annex 1 hereto, has been established to allow government officials and staff of implementing partners to report problems with FIP Implementations anonymously.

The Secretariat evaluates the Final Implementation Report, Audit Reports, and any information received via the Whistleblower Hotline (collectively, the Monitoring Reports) and reports to the Board on the progress of FIP Implementation. The Board is responsible for considering the reports of the Secretariat and for taking action, if necessary, to assist Members to comply with their approved Contingency Plans. If, once a FIP Implementation has been completed, the Monitoring Reports indicate that a Member has not followed its approved Plans, or has otherwise failed to use its ARC Payout in a way that conforms to the principles of ARC, then the Board shall initiate an inquiry under these Compliance Rules (a Compliance Inquiry). The Board may launch a Compliance Inquiry during an ongoing FIP Implementation only in extraordinary circumstances, when the Board has reason to believe that there has been an egregious Misuse of Funds, as defined below. In all other cases, a Compliance Inquiry should be launched after the FIP Implementation has been completed.

II. Steps in a Compliance Inquiry

1. Overview

Each Member will be required to submit its Final Implementation Report, which will demonstrate that the Member has complied with its approved Plans, within the deadline established by the Board in the standard reporting templates and the CP Standards. The Secretariat will consider the Monitoring Reports and, in case of an indication that a Member has deviated from its Plans in a material way, will bring the suspected deviation to the attention of the Board and to the Member. If the

19 A Material Deviation is defined as a deviation 1. with a monetary value of 10% of the total payout; 2. when there is insufficient evidence of the allocation of the payout; 3. when there are indications of malfeasance including money-laundering, embezzlement, bribery; 4. when there is a 10% or greater deviation from the logframe indicators; or 5. a combination of these factors.

20 Under the Establishment Agreement, the Secretariat is responsible for monitoring Parties’ compliance with approved Contingency Plans. By approving these Compliance Rules, the CoP is authorizing the Secretariat to take the steps outlined in these rules as necessary to facilitate and support the work of the Board and the CoP.
Monitoring Reports are not sufficient to demonstrate that a Member has complied with its approved Plans, or a Member has not submitted its Final Implementation Report, the Board may be forced to assume that the Member has not complied with its approved Plans and to take action accordingly.

The Member will have six weeks to provide a written explanation of any suspected deviation, if it has not already provided an explanation within the Monitoring Reports. The Secretariat will provide the Monitoring Reports, a report from the Secretariat, and the Member’s written explanation to the Board for consideration.

The Board should then take the following steps, outlined in detail in Sections 2-7 below, to evaluate the seriousness of a deviation and determine the appropriate course of action to ensure compliance:

1. **Determine the type of deviation.** A Member may deviate from its approved Plans for a variety of reasons, but it is likely that a deviation will fit into one of the following categories:
   a. **Intentional Deviation.** An Intentional Deviation is a deviation that is taken to respond to a dramatic or unforeseeable event, but is still in keeping with the principles of ARC. For example, if another natural disaster occurs while the Member is implementing its approved Plans, that Member may be forced to deploy its ARC Ltd payout in a way that differs from the original Plans, but is still reasonable under the circumstances.
   b. **Unintentional Deviation.** An Unintentional Deviation is a deviation that results from an unintentionally flawed implementation of the approved Plans.
   c. **Misuse of Funds.** A Misuse of Funds is a deviation from approved Plans that is intentional and does not conform to the principles of ARC.

2. **Scope of deviation.** The Board should determine the nature and magnitude of the deviation.

3. **Cause of deviation.** The Board should determine the cause of the deviation from the approved Plans.

4. **Damage.** The Board should ascertain the damage and overall monetary cost of deviation.

5. **Penalty.** Based on the type of deviation, its scope, cause and the damage resulting from the deviation, the Board should determine the appropriate penalty.

2. **Intentional Deviations**

It is possible that a Member could find itself in a situation where the best use of an ARC payout is an activity that was not included in its Operations Plan. In that case, the Member may intentionally deviate from its approved Plans in a way that is in keeping with the principles of ARC and is reasonable given the circumstances. This should be considered an Intentional Deviation.
If the Board determines that a Member has committed an Intentional Deviation, it should consider the following issues:

1. **Scope of Deviation**

   When the conditions required for the submission of a FIP are met, the Member should choose which of the proposed activities from its Operations Plan is most appropriate for the emergency it is facing. It should then submit a FIP that lays out the details of the implementation of whichever activity the Member has chosen.

   If a Member wishes to implement an activity that does not appear in its Operations Plan, it may amend the Operations Plan to include that activity before submitting a FIP. The rules for amending Operations Plans are in the CP Standards. Similarly, if a Member experiences an unexpected event after the submission of its FIP or discovers from the Needs Assessment Survey that it would be preferable to implement a different activity, or if the time available does not suffice to amend the Operations Plan, the Member may ask for an Emergency Waiver. The process for requesting an Emergency Waiver is also included in the CP Standards.

   If a Member goes forward with the unauthorized activity without seeking a waiver or other Board approval, the Board should consider whether the Member had the time to seek approval and chose not to, or if it did not have time to seek Board approval. The Board may wish to obtain additional information from the Member to clarify the timing and intent of the deviation. If a Member had opportunity to seek Board approval and did not do so, the Board should consider this when determining whether to assess a Penalty.

2. **Cause of deviation**

   The Board should next consider the cause of the deviation. This is tied closely with scope and timing as the cause of an Intentional Deviation may be an event. If the deviation was precipitated by incomplete planning or by lack of adequate consideration of events, the Board may wish to impose additional restrictions on the Member in future Plans. If the deviation was caused by events that could not have been foreseen or mitigated, then the Board may decide not to impose any penalty or restrictions. The Board should also seek to obtain any information that identifies the decision making process around the deviation, which parties were involved and at what level of Governing the decisions were made.

3. **Damage.**

   The Board must ascertain if there was any damage and monetary cost associated with the intentional deviation, as described in Section 5 below.

21 The CP Standards.
22 The CP Standards.
4. **Penalty.**

Based on the answers to the questions above, the Board will determine the appropriate penalty, as described in Section 6 below.

3. **Unintentional Deviations**

An Unintentional Deviation is a deviation that results from an unintentionally flawed implementation of the approved Plans. The Board should assess the scope of the deviation and any damage that resulted from it to determine any penalty that may be applied.

1. **Scope of Deviation**

The Board should consider the extent of the failure to follow approved Plans, including, but not limited to, the following questions:

   a. What was the nature and extent of the deviation?

   b. Can the deviations be isolated to a single cause, or were there issues throughout the implementation?

   c. If a Member implemented more than one activity, were the deviations present in every activity or just one?

2. **Cause of deviation**

The Board should next consider the cause of the deviation, including, but not limited to, the following questions:

   a. Did the problems stem from flaws in the Plans themselves, or from the implementation of the Plans?

   b. Did external factors out of control of the Member, such as consequences of weather events or unforeseeable unavailability of certain food items on the markets, cause the deviation?

   c. Did the Member lack the resources necessary to adequately implement its proposed Plans?

   d. Was it a result of incomplete planning?

   e. Was it the result of a lack of monitoring and oversight?
f. Could and should the ARC Agency have helped the Member to comply with its Plans?

g. Were there other mitigating factors?

h. Did the country realize it was deviating during implementation?

i. What actions were taken to try and mitigate deviations, if any?

3. **Damage.**

   The Board must ascertain if there was any damage and monetary cost associated with the unintentional deviation, in accordance with Section 5 below.

4. **Penalty.**

   Based on the answers to the questions above, the Board will determine the appropriate penalty, as described in Section 6 below.

4. **Misuse of Funds**

   A Misuse of Funds is the most serious deviation, and the one that will have the greatest impact on the reputation and sustainability of ARC. As noted above, development partners and financial markets will be sensitive to both real and perceived misuses of ARC insurance payouts. Thus it is critical for the Board to be able to respond effectively to Misuse of Funds.

   In certain circumstances, a delay in the use of funds may constitute a form of Misuse of Funds. Such delay is a departure from the time period initially established in the CP Standards for the use of ARC funds, and based on which the Plans were approved. Depending on its length, a delay in the use of funds could constitute a significant deviation, compromising the timely response that characterizes the regular use of ARC payouts, and thereby impacting the reputation and credibility of ARC. Whether a Member has complied with its approved Plans should be discernible from the Monitoring Reports. However, it may not be easy to ascertain whether a Member has intentionally Misused Funds or has done so unintentionally. If the Board suspects that a Member has intentionally Misused Funds, the Board may take one of the following additional actions:

   1. Request additional reporting from the Member. As is the case of any deviation, if a Member’s Monitoring Reports are not sufficient to demonstrate that a Member has complied with its approved Plans, the Board may be forced to assume that the Member has not complied. To avoid such a situation, the Board may request additional reporting from the Member.

   2. Engage an independent third party to conduct an evaluation or investigation of the situation. If the need for an independent evaluation is the result of inadequate reporting by the Member, the Member should bear the cost of the independent evaluation. If the independent
evaluation is necessary for another reason, the ARC Agency may bear the cost, at the sole
discretion of the Board.

Once the Board is satisfied that it has sufficient information regarding the deviation, it should consider
the following questions.

1. **Scope of Deviation**

The Board should consider the extent of the failure to follow approved Plans, including, but not limited
to, the following questions:

   a. What was the nature and extent of the Misuse of Funds?
   
   b. Were there multiple examples of Misuse of Funds, or just one?
   
   c. Was the Misuse of Funds systematic across the implementation, or can it be localized
to a single individual or group?
   
   d. Was the independent auditor misled?
   
   e. Was the ARC Agency misled?
   
   f. Was there other fraud?
   
   g. Was the Final Report inaccurate or incomplete, or did it contain misstatements?
   
   h. Has this Member Misused Funds from previous ARC payouts?
   
   i. How many times has the Member deviated from its approved Plans, including
intentional deviations and unintentional deviations?

2. **Cause of deviation**

The Board should next consider the cause of the deviation, including, but not limited to, the following
questions:

   a. Was the Misuse of Funds intentional or unintentional?
   
   b. If it was intentional, what was the extent of energy undertaken to bring about the
deviation?
   
   c. Does the Member lack the resources necessary to adequately oversee its proposed
Plans?
   
   d. At what level of implementation did the Misuse of Funds occur? Was it perpetrated
by highly placed government officials, or at the local level?
e. What could and should have been done by the Member or by the ARC Agency to prevent the Misuse of Funds?

3. **Damage.**

The Board must ascertain if there was any damage and monetary cost associated with the misuse of funds, as described in Section 5 below.

4. **Penalty.**

Based on the answers to the questions above, the Board will determine the appropriate penalty, based on the list in Section 6 below.

5. **Damage Assessment**

The Board should consider the extent of the damage caused by the deviation from the approved Plans when determining a penalty.

1. What was the monetary value of the funds that were diverted?
   a. Class I: between 5% and 15% of the total monetary value of the ARC payout
   b. Class II: between 15% and 25% of the total monetary value of the ARC payout
   c. Class III: greater than 25% of the total monetary value of the ARC payout.

2. How many deviations were there?

3. What was the total monetary value of all of the deviations together?

4. What was the monetary value of each deviation separately? Was it a single large deviation, or a number of small deviations?

5. Is it possible to assess the monetary damage to potential beneficiaries who did not receive assistance to which they may have been entitled?

6. Did potential beneficiaries or actual beneficiaries suffer non-monetary damage?

7. Was there other non-monetary damage as a result of the deviation, such as reputational damage?

A Misuse of Funds with a monetary value in Class II or III, or an Intentional or Unintentional deviation with a monetary value in Class III should be considered a Serious Deviation.
6. Possible Penalties

The Board should consider both the monetary value and the circumstances of the deviation, such as whether it was intentional and whether the Member took any steps to mitigate the deviation. A single penalty may be applied, or a combination of penalties, as the Board considers appropriate in the situation. Below is a suggested range of penalties. However, the Board may assess other penalties as it deems appropriate.

1. **Additional Monitoring.** For less serious deviations, particularly for Unintentional Deviations, the Board may require that the Member engage additional or independent monitoring of any future payouts in the Member’s Certificate of Good Standing. Additional monitoring could be provided by the ARC Secretariat or an independent outside monitor and should be paid for out of the insurance payout.

2. **Restrictions on Future Plans.** The Board may prohibit the Member from undertaking certain activities with future payouts, or require that such activities may only be implemented if additional implementing partners and/or monitoring is engaged.

3. **Removal of a Certificate of Good Standing.** The Board may take away a Member’s Certificate of Good Standing and require for its Certificate of Good Standing by resubmitting Operations Plans for approval.

4. **Suspension.** For serious deviations, a Member may have its Certificate of Good Standing suspended, and may be prevented from receiving another Certificate of Good Standing for a period of time from 1 year to 10, at the discretion of the Board. For the most serious deviations, a Member may be suspended from participating in the ARC Agency. If the Board recommends either type of suspension of a Member, its decision must be reviewed by the CoP.

5. **Repayment.** If a Member commits a deviation, it may be required to repay its insurance payout, in whole or in part, to the ARC Ltd. If a Member is suspended, such repayment shall be required. In other cases, repayment is left to the discretion of the Board. A Member may not receive a new Certificate of Good Standing, and therefore may not take out insurance from the ARC Ltd, until it has repaid the required funds.

7. Adjudicative Process

The steps for reaching a decision regarding a deviation from approved Plans should proceed as follows:

1. If the Secretariat determines that a Member may have violated its Plans, it shall bring the suspected deviation to the attention of the Board and to the Member. The Member shall then have six weeks to provide a written explanation of any suspected deviation. The Secretariat will provide the Monitoring Reports, a report from the Secretariat, and the Member’s written explanation to the Board for consideration.
2. The Board should meet to consider the Monitoring Reports, written explanation from the Member and the report of the Secretariat. If the Board believes that the deviation is a serious one, for example, because there has been an alleged Misuse of Funds, the deviation had a high monetary value, or other circumstances, it may temporarily suspend the Member and its Certificate of Good Standing, pending a decision. The Board may establish a committee to conduct the initial review of an alleged deviation. It may also engage an independent third party to conduct an evaluation or investigation of the situation.

3. The Board shall notify the Member in writing that it is evaluating the Member’s compliance, including an explanation of the type of actions taken or considered, and the reasons behind the decision.

4. The Board should set a time and date by which the Member may respond to the Board’s notification, as well as establishing guidelines for the type of information that must be provided.

5. If the Board deems necessary, it may establish a date and time for Member representatives to appear in person before the Board to answer questions.

6. The Board will then meet to consider the Member’s situation and take a decision regarding the alleged deviation. The Board shall produce a written report of its findings. Such decisions shall be taken by the Board itself rather than a committee.

7. If the Board determines that a Member’s deviation is a Misuse of Funds with a monetary value in Class II or III, or an Intentional or Unintentional deviation with a monetary value in Class III, it shall inform the CoP that there has been a Serious Deviation.

8. In the case of a Serious Deviation, the CoP shall review the decision of the Board and make the final determination regarding the penalty. The Certificate of Good Standing of the Member in question shall be suspended, or if the Member is due to apply for a new Certificate of Good Standing none may be granted, until the CoP reaches its final decision.

9. When there is a Serious Deviation, the Board shall provide its decision to the CoP, along with any supporting documentation, the Monitoring Reports, report of the Secretariat and any submissions made by the Member. The Member will be allowed to submit a written statement on its own behalf to the CoP.

10. In cases of Serious Deviation, any penalty assessed shall not go into effect until the CoP has taken its final decision.

11. Any decision of the CoP shall be final.
ANNEX 1: Whistleblower Hotline Policy and Procedures

I. PRINCIPLES

(A) The African Risk Capacity Specialized Agency (ARC Agency) has the duty to ensure that all of the funds provided to ARC member states (Members) through insurance payouts from the ARC Insurance Company Limited (ARC Ltd) are used in a transparent and accountable manner, in full compliance with Members’ approved Contingency Plans and the ARC Contingency Planning Standards and Guidelines (the CP Standards).

(B) Improper use of ARC funds will not be tolerated. The ARC Agency will not accept any corrupt, fraudulent or collusive practice while using ARC Ltd insurance payouts (ARC Payouts). Any complaints received by the ARC Secretariat through the ARC Whistleblower Hotline will be dealt with promptly in accordance with the present Whistleblower Hotline Policy and Procedures (the Policy) and the Compliance Rules.

II. POLICY SUMMARY

The monitoring and evaluation procedures that ARC applies to monitoring the use of insurance payouts are intended to detect, prevent or deter improper activities. However, even the best systems of control cannot provide absolute safeguards against irregularities. Intentional and unintentional violations of the CP Standards and approved Contingency Plans may occur. The Compliance Rules adopted by the ARC Agency Conference of the Parties (the CoP) allow the Board to detect and investigate deviations from Contingency Plans identified after the use of ARC Payouts and the submission of Monitoring Reports. However, deviations from approved Contingency Plans and improper use of ARC Payouts may be detected at an earlier stage of the implementation and ARC has a responsibility to investigate credible allegations of suspected improper use of ARC funds as soon as possible. Information gathered through the ARC Whistleblower Hotline shall be considered in the Mid-Implementation Review Mechanism and the Compliance Rules, depending on the timing of the allegation.

Individuals are encouraged to use the guidance provided by this Policy for reporting all allegations of suspected improper use of ARC Payouts, and the staff of the ARC Secretariat shall use these procedures to properly respond to such allegations. ARC retains the prerogative to determine when circumstances warrant an investigation and, in conformity with this Policy and applicable laws and regulations, the appropriate investigative process to be employed.

III. DEFINITIONS

For the purpose of this Policy, the terms and expression below shall have the following meaning:

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23 Monitoring Reports are defined in the Compliance Rules as including: regular discussions between Members and Secretariat staff; monthly reports during the Operation; Final Implementation Reports detailing the financial and operational aspects of the full implementation process; Process and Financial Audits of insurance payouts and reports made to the Whistleblower Hotline. See, The Compliance Rules at Section I (3).
ARC Payout means the insurance payout made by ARC Ltd to a Member, triggered pursuant to an insurance policy purchased by the Member from ARC Ltd;

Collusive Practice means an arrangement between two or more parties designed to achieve an improper purpose, including but not limited to, influencing improperly the actions of another party and leading to the improper use of an ARC payout;

Contingency Planning Standards and Guidelines mean the standards established by the ARC Agency Governing Board for the development and updating of Contingency Plans submitted by Members;

Contingency Plans mean the Operations Plan and the Final Implementation Plan submitted by Members;

Corrupt Practice means the offering, giving, receiving or soliciting, directly or indirectly, or attempts to do so, of anything of value to influence improperly the actions of another party, affecting thereby the proper use of an ARC payout;

Fraudulent Practice means any act or omission, including any misrepresentation, that knowingly misleads, or attempt to mislead, a party to obtain any financial or other benefit or to avoid any obligation, leading to an improper use of an ARC payout;

Improper Use of ARC Payouts means any improper use of part or all of an ARC payout illustrated by a deviation from the provisions of the CP Standards, the country’s approved plans or the principles of ARC;

Independent Agent means the independent firm selected by the ARC Agency to provide the Whistleblower Hotline to receive reports of violation of the CP Standards, deviations from approved plans or any other improper use of ARC payouts.

M&E Officer means the Monitoring and Evaluation Officer who is a member of the ARC Agency Secretariat staff.

Ombudsman means the Member of the ARC Agency Governing Board designated to handle reported allegations of suspected improper use of ARC payouts;

Secretariat means the ARC Agency Secretariat;

Secretary to the Board means the Secretary to the ARC Agency Governing Board as set out in the Rules of Procedures of the ARC Agency Governing Board, and the official designated within the ARC Agency to receive reports of allegations of suspected improper use of ARC payouts from the Whistleblower Hotline;

Whistleblower means the individual providing initial information related to a reasonable belief that an improper use of ARC funds has occurred;

Whistleblower Hotline means the external mechanism provided by the ARC Agency to report any improper use of an ARC payout.
IV. REPORTING PROCEDURES

1. The ARC Agency has established the Whistleblower Hotline as an external mechanism managed by the Independent Agent for any individual to report any violation of the CP Standards, deviations from approved plans or any other improper use of ARC payouts. All complaints are directly received by the Independent Agent selected by the ARC Agency and shall be handled in conformity with the standards policies and procedures established by the Independent Agent and reviewed by the ARC Agency.

2. To the extent possible, all complaints about improper use of ARC funds shall be treated with strict confidentiality to protect the identity of individuals involved. Nevertheless, Whistleblowers should be cautioned that their identity may become known for reasons outside of the control of the investigators or the ARC Agency.

3. After receiving the complaint, the Independent Agent shall ensure that sufficient information is available to conduct a preliminary assessment of the complaint. The Independent Agent shall communicate with the ARC Agency Secretariat regarding the sufficiency of the information before submitting the complaint.

4. Once sufficient information is obtained, the Independent Agent shall transmit the complaint to the Director General of the ARC Agency, the Ombudsman, and the M&E Officer, who shall serve as the official designated within the ARC Agency to deal with reports of allegations of suspected improper use of ARC payouts.

V. PRELIMINARY ASSESSMENT

(A) Preliminary Assessment Report

1. The M&E Officer, with the support of the ARC Agency Legal Counsel, will conduct a preliminary assessment of the alleged improper use of the ARC payout, relying on the information available to the Secretariat and consulting the Member country as necessary and relevant.

2. As early as possible, and no later than one month from the reception of the allegations of suspected improper use of ARC payout, the M&E Officer shall prepare a preliminary assessment report to be submitted to the Ombudsman and the Director General.

3. The preliminary assessment shall aim at providing the Ombudsman with an initial appraisal of the suspected improper use of the ARC payout. The Preliminary Assessment Report shall include the following information:

   a. The specific allegations;
   b. The provisions of the CP Standards or approved plans that have been violated;
   c. A detailed description of the facts surrounding the alleged improper use of ARC funds;
   d. Information relating to the main actors in the alleged improper use of ARC funds: the Whistleblower, the individual involved at the governmental level and potential witnesses;
   e. The context of the suspected improper activity including any specific information on the political environment, the working environment and the cultural issues surrounding the case;
f. Assessment of the complaint; and

g. Specific recommendations on adequate course of actions to the Board.

4. Recommendations concerning further actions with respect to suspected improper activities could include:

a. Closure of the case in the absence of sufficient evidence that the improper use of an ARC payout occurred or otherwise conduct of a formal investigation if the indication of a suspected improper use of ARC funds appears to be Prima Facie well founded;

b. Suggestion of relevant experts to form part of the Investigation Committee;

c. Proposal of pertinent techniques to be followed in the conduct of the formal investigation; and

d. Recommendation of preventive measures against the suspected Member where the improper use of ARC payout allegedly occurred, until the finalization of the investigation process.

(B) Handling of the Preliminary Assessment Report

Once the Preliminary Assessment Report is presented to the Ombudsman, one of the following actions shall be taken, as applicable:

a. If it is considered that the allegations of improper use of ARC funds are unfounded, provided the complaint was made in the reasonable belief that what is being reported is true, no action will be taken if the complaint turns to be misguided or false. The process will be closed with no further action. However, where complaints are found not to have been made in good faith or on reasonable grounds, Whistleblowers may be subject to appropriate action.

b. If it appears to the Ombudsman that the suspected improper use of ARC funds was generated by technical weaknesses in the approved plans, he may instruct the Secretariat to take appropriate measures to avoid the recurrence of such situation, such as provision of technical support or training. At the end of the implementation process, the Board will assess the efficiency of measures adopted.

c. If it is considered that there is Prima Facie evidence that the improper use of ARC funds occurred, the Ombudsman will notify the Board and submit a report of the ongoing situation including: the Preliminary Assessment Report, all measures undertaken to investigate and address the problem, any relevant documentation that would help the Board making a well-informed decision, and specific recommendations on subsequent steps to deal with the country.

d. If the Board is notified of a suspected improper use of ARC funds, the Board shall follow either the procedures described in the Mid-implementation Review Mechanism, or the Compliance Rules, depending on the timing of the complaint. If the complaint is made after the implementation has been completed, the Board shall proceed as described in
the Compliance Rules. If the complaint is made during implementation, the Board shall proceed according to the Mid-implementation Review Mechanism.

e. In extraordinary cases, including the egregious Misuse of Funds, the Board may launch a Compliance Inquiry while implementation is still ongoing.