



**Report of the Fifth Session  
of the Conference of the Parties of the African  
Risk Capacity (ARC) Agency**

**ARC/COP5/D020.1103\_17**

**Fifth Session of ARC Conference of the Parties**

**8-9 March 2017**

**Abidjan, Côte d'Ivoire**

**Report of the Fifth Session of the Conference of the Parties of the African Risk Capacity (ARC)  
Agency**

**Opening Remarks**

1. The Fifth 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 Fourth session of the Conference of the Parties (the Government of the Republic of Malawi), pursuant to Decision 22 of the Fourth session of the Conference of the Parties to hold its fifth session between November 2016 and March 2017.<sup>1</sup> The meeting which took place from 8-9 March 2017 in Abidjan, Côte d'Ivoire, at the kind invitation of the Government of the Republic of Côte d'Ivoire, recorded the attendance of the following 18 Member States of the ARC Agency: Burkina Faso, Chad, Comoros, Côte d'Ivoire, The Gambia, Ghana, Guinea, Kenya, Malawi, Mali, Madagascar, Mauritania, Niger, Nigeria, Senegal, Togo, Zambia and Zimbabwe. Uganda, which has not yet signed the Agreement for the Establishment of the African Risk Capacity Agency (**Treaty**), attended the meeting as an Observer. A list of the attendees is attached hereto as Annex 1.
2. The following donor and partner organizations also attended the session as Observers: Global Affairs Canada; Center for Diseases Control and Prevention in Africa (CDC Africa); French Development Agency (AFD); KfW German Development Bank; Network of Peasant Organizations and Producers in West Africa (ROPPA); New Partnership for Africa's Development (NEPAD); Southern African Confederation of Agricultural Unions (SACAU); Swedish International Development Cooperation Agency (SIDA); United Kingdom Department for International Development (DFID); and the World Food Programme of the United Nations (WFP).
3. The Conference of the Parties was formally opened by H.E Adama Koné, Minister of Economy and Finance of Côte d'Ivoire, on behalf of the hosting country, Côte d'Ivoire. H.E Adama Koné expressed the Government of Côte d'Ivoire's honor to be hosting the Conference of the Parties. He noted that disaster risks are a significant concern for ARC Member States, and praised ARC countries for creating this initiative to respond to natural disasters through an African solution. He raised the issue of food security and showed his appreciation for the work undertaken by the experts session where technicians and agriculture experts came together to discuss critical issues. Noting the significant role ARC is and will be playing on the continent, H.E Koné stated that Côte d'Ivoire will be the next country to ratify the Treaty. He declared the ministerial session of the Conference of the Parties (**CoP**) open, wishing delegates a successful and productive session.
4. Mrs. Adeyinka Badejo, Country Director and World Food Programme (**WFP**) Representative in Côte d'Ivoire, greeted the Conference of the Parties on behalf of Ms. Ertharin Cousin,

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<sup>1</sup> Report of the Fourth Session of the Conference of the Parties of the African Risk Capacity (ARC) Agency, (ARC/COP4/D025.2901\_16), Decision 22.

Executive Director of WFP. She recalled the multiple human and natural disasters occurring in Africa and causing losses of lives and livelihoods. She also recalled the negative impact of those disasters on communities in terms of human resources. In the last six years, humanitarian needs have tripled and only half of these needs are being met, which causes very serious concerns for the future. She stressed that the adoption by the African Union (AU) of ARC took place at the right time because ARC's mandate meets the needs of vulnerable people affected by natural disasters. She mentioned that the partnership between WFP and ARC is fundamental, particularly with WFP country offices' involvement in insurance policies through the Replica Coverage initiative. This initiative will help double the number of people insured through early financing to reduce the negative impact of natural disasters. Finally she confirmed WFP's commitment to support each impacted country.

5. The Director General of the ARC Agency, Mr. Mohamed Beavogui welcomed all the participants to the CoP, with a special mention of the representatives of the farmers' associations, who were attending the CoP for the first time. He thanked the Member States, the members of the ARC Agency Governing Board (the **ARC Agency Board**), the ARC Agency Secretariat and the development partners for their support to this new and innovative vision for Africa, despite all the difficulties. The Director General recalled that his first priority upon joining ARC was to clarify ARC's vision through the elaboration of a strategic framework which was launched on the same day as the Ministerial session of the CoP. He thanked the donors for the increase in their financial support to ARC. He further informed the CoP about the Memorandum of Understanding signed one day earlier between ARC and the African Development Bank (**AfDB**), and stated that this financial partnership will strongly contribute to the growth of the insurance pool.
6. Mr. Beavogui pointed out that premium financing needed more attention and innovative solutions, mentioning the possibility for ARC to take part in a pioneering initiative launched by DFID in Africa. He further stated that the capacity building must be in line with sustainable mechanisms for premium financing. The Director General noted that, although ARC was focusing on its core product, the drought model, it is also important for ARC to work on new products, developing additional modules for floods and tropical cyclones. ARC also launched the pilot programme for Outbreak and Epidemic (O&E) insurance product, supported by the Rockefeller Foundation and is still working on the Extreme Climate Facility (**XCF**) for extreme weather events. The Director General invited the CoP to significantly debate on premium financing, which is the key to ARC sustainability. He further noted that developing key partnerships with several regional and international institutions is an important part of ARC's operations and future growth and success. He stressed that the Fifth session of the CoP was a great opportunity to break the barriers preventing ARC from being the great institution Africa has dreamt about. The Director General finally thanked the Government of Côte d'Ivoire for its warm hosting of the CoP and the exceptional working environment of the Conference.
7. Dr. Lars Thunell, Chairman of the Board of Directors of the African Risk Capacity Insurance Company Limited (ARC Ltd) expressed how honoured he was to have been involved in the

founding of ARC and to serve as chair of ARC Ltd, a mutual insurance company of solidarity created by Africa for Africa. He emphasized the importance of countries putting in place ex-ante management tools to assure resilience of households when natural disasters and extreme weather events strike. He further stressed the importance of the financial and other upsides of having a broad pool of countries taking up policies with ARC, which created diversification benefits including access to lower insurance rates and better reinsurance rates. To enhance this diversification, he called on the ARC Member States present at the CoP to further drive the growth of ARC by joining the risk pool and by members sharing the benefits of ARC across the continent. Dr. Thunell emphasized the importance of countries paying premiums in a timely manner while acknowledging the challenges that Countries are facing and the national expenditure trade-offs they are forced to make in times of constrained national budgets. While ARC is working with partners to put in place premium financing mechanisms for medium-term support, Dr. Thunell nonetheless highlighted the need for African governments to create sustainable long-term financial plans for including insurance and resilience mechanisms in their national disaster management policies. Dr. Thunell noted that ARC was making a real difference and setting an example of how development and aid agencies should be operating: by giving countries more responsibility and by using a public-private partnership approach. He thanked all the contributors for ARC's achievement, including its financial partners, DFID and BMZ/KFW, as well as the government of Côte d'Ivoire for hosting the fifth session of the CoP.

8. On behalf of the ARC Agency Board, Mr. Birama Sidibe, Member of the ARC Agency Board, expressed his deep gratitude to the Government of Côte d'Ivoire for hosting the CoP. He thanked the delegates for all the work done and for his selection a year ago to be a member of the Board for the West African seat. He informed the CoP about the activities and decisions of the Board since the fourth session of the CoP including but not limited to: the Board's deliberations regarding the criteria for the selection of a new headquarters for the ARC Agency; the endorsement of the provisional 2017 Programme of Work and Budget before its submission to the CoP; and the Board's discussion of the issues faced by ARC in relation to the need to increase the size of the insurance pool. Mr. Sidibe added that the Board was following the development of ARC's new products and initiatives, and was working to ensure ARC's financial sustainability and build stronger relationships with donors and other partners. The Board also established an advisory panel on *Africa RiskView* to assist ARC Secretariat in the development of the software. He added that the ARC Agency Board met with the ARC Ltd Board several times and that the two bodies are very committed to working together. Both Boards are considering ways to achieve pool growth in order to ensure ARC financial sustainability. Mr. Sidibe welcomed and congratulated the new Chief Executive Officer (**CEO**) of ARC Ltd, Ms. Dolika Banda who was appointed in July 2016. He further noted that the CEO's appointment will facilitate ARC Agency and ARC Ltd working together as one organization. On behalf of the Board, Mr. Sidibe thanked ARC Agency Secretariat, Member States, the donors, and other partners.

9. On behalf of the Government of the Republic of Malawi, the Chair of the fourth session of the CoP, Ms. Madalo Nyambose welcomed the delegates and thanked the CoP for all of the work undertaken over the past year. Ms. Nyambose stated that Malawi is vulnerable to natural disasters due to climate change. She recalled that droughts and floods are not new in Africa and in Malawi there was a severe drought and 6.5 million people became vulnerable. The Country's economy was affected. Some adaptation mechanisms with social economic impacts were put in place. Malawi allocated part of its budget for insurance and used the ARC insurance product. She concluded that countries should work on the strategy of financing and contingency planning to help respond to natural disasters. In conclusion, she thanked the Government of Côte d'Ivoire for the warm welcome and wished the delegates fruitful deliberations.

### Consideration of Credentials

10. The Conference of the Parties accepted the credentials of the following 16 delegations in accordance with the recommendations of the Credentials Committee: Burkina Faso, Chad, Comoros, Côte d'Ivoire, The Gambia, Ghana, Guinea, Malawi, Mali, Madagascar, Mauritania, Niger, Senegal, Togo, Zambia and Zimbabwe.<sup>2</sup>

### Election of the Bureau

11. The Conference of the Parties elected by consensus the following as Members of the Bureau, as provided for in Article 12.4 of the Treaty, and decided that the Bureau would also serve as the Credentials Committee of the Conference of the Parties:

<b>Chairperson</b>	H.E Adama Koné, Côte d'Ivoire ( <b>West</b> )
<b>1<sup>st</sup> Vice Chairperson</b>	Mr. Sid' Amine Ahmed Challa, <b>Mauritania (North)</b>
<b>2<sup>nd</sup> Vice Chairperson</b>	Mr. Charles Clement Rakololahy, <b>Madagascar (East)</b>
<b>3<sup>rd</sup> Vice Chairperson</b>	Mr. Hassanty Omar Cheib, <b>Chad (Central)</b>
<b>Rapporteur</b>	Mr. Patrick Kaluba Kangwa, <b>Zambia (South)</b>

### Remarks of the Chairperson

12. The incoming Chair of the Conference of the Parties, H.E Adama Koné, of the Republic of Côte d'Ivoire thanked the outgoing Chairperson of the Conference of the Parties for Malawi's leadership over the preceding year.

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<sup>2</sup> The Republic of Zimbabwe did not provide credentials because the Minister of Macroeconomic Planning and Investment Promotion of Zimbabwe was in attendance.

**Adoption of the Agenda and Consideration of the Requests of Partner Organizations to participate in the fifth session of the CoP as Observers**

13. The Conference of the Parties adopted the Agenda and Programme of Work for its meeting with one amendment to the order of the presentations. The amended Agenda as adopted is attached as Annex 2 to this Report.
14. The Conference of the Parties approved the request of partner organizations to participate in the open sessions of the meeting of the CoP as Observers.

**Reports and Briefings for Information**

15. The Conference of the Parties received the following reports and briefings:
  - a. Presentation by Mr. Birama Sidibe, 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 Treaty, Article 15, paragraph 1 (q);
  - b. Briefing by the Director General of the ARC Agency on the activities and progress of the ARC Agency since the fourth session of the CoP including (i) the Strategic Framework and Pool Growth; (ii) Improving Funding Resources; (iii) Update on New Products and Initiatives; (iv) Policy Platforms and Strategic Partnerships; and (v) 2017 Outlook;
  - c. Briefing on the activities of the African Risk Capacity Insurance Company Limited (ARC Ltd) since the fourth session of the CoP including: (i) the progress of the third insurance pool and formation of the fourth insurance pool; (ii) the progress on other insurance-related initiatives; (iii) capitalization and resource mobilization; and (iv) governance and operations;
  - d. Briefing on the 2017 ARC Agency Programme of Work and Budget;
  - e. Presentation of the Alternative Payout Mechanism (formerly referred to as the Escrow Account Rules);
  - f. Presentation of the Criteria for the Selection of a Permanent Headquarters of the ARC Agency;
  - g. Briefing on Premium Financing and the Financial Sustainability of the ARC Agency;
  - h. Briefing on Malawi, including the revised insurance contract and progress thus far on the implementation of the insurance payout;
  - i. Briefing on the Outbreak and Epidemics (O&E) Insurance Product;
  - j. Briefing on the Ratification Status of the Agreement for the establishment of the African Risk Capacity Agency (the **Treaty**).

## **Decisions of the Conference of the Parties**

16. The Conference of the Parties, considering the items on its agenda as well as the recommendations made by the meeting of the Senior Government took the following decisions:

### **The Report of the Governing Board**

- a. Welcomed the Report of the ARC Agency Governing Board and thanked Mr. Birama Sidibe for his comprehensive presentation.

### **The Report of the Director General**

- b. Took note of the activities and progress of the ARC Agency since the fourth session of the CoP including (i) the Strategic Framework and Pool Growth; (ii) Improving Funding Resources; (iii) Update on New Products and Initiatives; (iv) Policy Platforms and Strategic Partnerships; and (v) 2017 Outlook; and commended the Director General on the accomplishments of 2016.

### **Programme of Work and Budget**

- c. Adopted the Programme of Work and Budget for 2017, prepared and submitted to the Conference of the Parties by the ARC Agency Secretariat as required by the Establishment Agreement, Article 17, paragraph 5(c), and attached hereto as Annex 3.

### **Selection of Governing Board Members**

- d. Reappointed Hon. Diombar Thiam<sup>3</sup> and Mr. Bouh Ould Sid' Ahmed<sup>4</sup>, of Mauritania, as the Member and Alternate Member of the Board respectively, for the North African Seat for a three-year term.
- e. Reappointed Dr. Agnes Kalibata<sup>5</sup> and Mr. Alex Kanyakole<sup>6</sup>, of Rwanda, as the Member and Alternate Member of the Board respectively, for the Eastern African seat for a three-year term<sup>7</sup>.

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<sup>3</sup> Hon. Diombar Thiam served a first term of three years as a member of the ARC Agency Governing Board and is the Advisor to the President of Mauritania on Financial and Economic Matters and the Former Minister of Finance.

<sup>4</sup> Mr. Bouh Ould Sid' Ahmed served a first term of three years as an alternate member of the ARC Agency Governing Board and is the Special Advisor to the Minister of Finance of Mauritania.

<sup>5</sup> Dr. Agnes Kalibata served a first term of three years as a member of the ARC Agency Governing Board and is currently the President of Alliance for a Green Revolution in Africa and the former Minister of Agriculture and Animal Resources of Rwanda.

<sup>6</sup> Mr. Alex Kanyakole served a first term of three years as an alternate member of the ARC Agency Governing Board and is currently the Chief Executive Officer of the Development Bank of Rwanda.

**Alternative Payout Mechanism**

- f. Approved the Alternative Payout Mechanism rules for situations in which a government may not be able to receive an ARC Ltd insurance payout that it is due, with an amendment specifying the disposition of funds in case a country does not wish to cooperate with the selection of an Implementing Partner. The revised Alternative Payout Mechanism is attached hereto as Annex 4.

**Criteria for the Selection of a Permanent Headquarters of the ARC Agency**

- g. Requested the Governing Board of the ARC Agency to combine the selection criteria for a domicile for the ARC Ltd with the Criteria for the Selection of a Permanent Headquarters of the ARC Agency in light of the importance of co-locating the two entities, and that the Board proceed with the selection process based on the combined criteria.

**Premium Financing**

- h. Adopted the following recommendations and conclusions of the sub-committee of the Senior Government Officials' session of the CoP, regarding premium financing and the financial sustainability of the ARC Agency:
  - 1. ARC Member States in Africa should capitalize ARC Ltd;
  - 2. ARC Agency should launch an initiative to bring countries that have left the pool back and to attract new member states through marketing strategies and attractive products;
  - 3. Fees may be factored into the premiums, and the cost of premiums should reduce over time once African ARC Member States have capitalized ARC Ltd;
  - 4. ARC Member States are urged to use the African Development Bank facility currently under development, as well as other funding sources, to pay insurance premiums and undertake other activities.
- i. Took note of the recommendation made by the delegation of Côte d'Ivoire that ARC insurance products be expanded to include additional agricultural products.

**Commendation of the Government of Malawi**

- j. Congratulated the Government of Malawi for the implementation of the insurance payout thus far, and took note of the lessons learned from the ongoing implementation process.

**African Risk Capacity Insurance Company Limited (ARC Ltd)**

- k. Welcomed the appointment of Ms. Dolika Banda as Chief Executive Officer of ARC Ltd and congratulated Ms. Banda on her excellent report regarding the work of ARC Ltd in 2016.
- l. Commended Mr. Momath Ndao for the work that has been conducted by the ARC Ltd Redomiciliation Committee.

#### **Outbreak and Epidemic Insurance**

- m. Recognized the work of the ARC Agency in establishing the Outbreak and Epidemic (O&E) Insurance pilot programme, and expressed ARC Member States' readiness to actively contribute to the success of this pilot.

#### **Treaty Signature and Ratification**

- n. Recalled the decision of the fourth session of the Conference of the Parties to establish a twelve month timeline for ARC Member States to ratify the Treaty and urging all ARC Member States to ratify the Establishment Agreement as soon as possible, and called upon all ARC Member States to renew their commitment to ratify the Treaty not later than the end of 2018.

#### **Participation of Farmer Organizations**

- o. Took note of the request by the representatives of farmer organizations that they be allowed to attend future sessions of the CoP as observers, and welcomed the participation of these organizations in the fifth and subsequent sessions of the CoP.

#### **MoU Signature**

17. During the fifth session of the Conference of the Parties, the Director General of the ARC Agency signed a Memorandum of Understanding (**MoU**) with the Government of Madagascar, pursuant to which ARC Agency will work with Madagascar to advance its Programme Workplan for drought.

#### **Closing Remarks**

18. The Conference of the Parties expressed its deep appreciation to the Republic of Côte d'Ivoire for hosting its fifth session in Abidjan and adopted the following expression of thanks:

*"The Conference of the Parties would like to thank most sincerely the Government and the People of Côte d'Ivoire for all the facilities and commodities in relation to the host, the living conditions and the work of the delegates.*

*The Conference of the Parties urges the Minister of Economy and Finance of Côte d'Ivoire, Chairperson of the Conference of the Parties, to communicate its warm thanks and deep gratitude to his Excellency Alassane Dramane Ouattara, President of the Republic of Côte d'Ivoire."*

Abidjan, 9<sup>th</sup> of March 2017

19. The Conference of the Parties decided to hold its next session between January and March of 2018. The Government of Zimbabwe expressed its intent to submit an offer to host the CoP. The ARC Agency Secretariat shall circulate the criteria for hosting a session of the Conference

of the Parties to all ARC Member States. Countries that wish to host the sixth session of the Conference of the Parties should communicate their interest to the ARC Agency Secretariat.

20. The Conference of the Parties thanked the Director General of the ARC Agency, the Chairs of ARC Agency and ARC Ltd as well as ARC staff for the work accomplished in 2016 and for efficiently organizing the fifth session of the Conference of the Parties.
21. 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 Fifth Session of the Conference of the Parties of the African Risk Capacity Agency**

<b>COUNTRY</b>	<b>NAME</b>	<b>TITLE</b>
<b>Burkina Faso</b>		
	Benedicta Ouedraogo Akotionga	Executive Secretary of the National Food Security Council
	Hien Sitegne	ARC National Coordinator
<b>Chad</b>		
	Mahamat Djibrine	Deputy Director, Planning and Studies
	Hassanty Oumar Chaib	Coordinator, SISAAP
<b>Comoros</b>		
	Anzaouir Ben Alioiou	Director of Cabinet, Ministry of Interior
	Daho Mogne Ismael	Director General, Civil Security
<b>Côte d'Ivoire</b>		
	H.E Adama Kone	Minister of Economy and Finance
	Jacques Assahoré	Director General of Treasury
	Doumbia Abou-Bakary	Technical Advisor to the Minister of Economy and Finance
	N'guessan Koffi Rodrigue	Director - Ministry of Agriculture
	Aguia Benjamin Aristide	Flood Manager, SODEXAM,
	Sualiho Dea	Project Manager
	Kanga Brou Isidore	Chief of the Meteorological Services Department
	N'goran Konan Guillaume	Chief of Risk Management Services
	Yao Apagny Serge	Security Officer - Treasury
	Mamadou Coulibaly	Communication Officer
	Dere Ossehin Victorien	Project Manager, Office of the Minister of Economy and Finances
	Agossou Koffi Obed-Edom	Protocol Officer, Treasury
	Irma Chantal Ackah Lambert	Community-based Reforms Manager
	Jean Claude Koya Natouen	Technical Advisor, Ministry of Planning
	Ibrahima Tiohozon Coulibaly	Director General
	Anon Bertin	Director of Food-Crop production and Food Security, Ministry of Agriculture and Rural Development
	Herve Frank Fofana	Inspector, Public Treasury
	Hervee Akproh Epse Kpai	Communication Assistant
	Lucien Bouafon	Director of Financial Services
	Daouda Konaté	Weather Forecast Director
	Fofana Namafingue Epse Toure	Technical Advisor, Ministry of Economy and Finance
	Assa Arsène	Ministry of Economy and Finance
	Djamal Al Farouk	Director General of Production, Ministry of Agriculture

	Herve Ahossy	Communication Officer, Ministry of Economy and Finance
	Aolphe Keke Guego	Chief of the Prevention Department
<b>Ghana</b>		
	Kwateng-Amaning Frimpong	Director Real Sector Division, Ministry of Finance
	Beliwine Sebastian	Deputy Director, Ministry of Foreign Affairs
	Asaku Hanaan	Assistant Director, Ministry of Foreign Affairs
	Aboague Foster Gyamfi	Economic Officer, Ghana
<b>Guinea</b>		
	Momo Camara	Director, HR ANSS
	Mahmoud Kourouma	Legal Counsel
<b>Kenya</b>		
	Nelson Mutanda	Government Coordinator
<b>Madagascar</b>		
	General Mamy Razakanaivo	Executive Secretary CPGU/Programme Supervisor
	Rakololahy Charles Clement	Special Advisor to the Prime Minister
<b>Malawi</b>		
	Hastings Ngoma	ARC Government Coordinator
	James Chiusiwa	Director of Disaster Risk Reduction
	Alex Namaona	Director of Planning
	Madaro Mungapoti Ntambosa	Director, DAP
<b>Mali</b>		
	Diane Bassa Dicko	ARC Government Coordinator
	Mamadou Sy	ARC Focal Point
	Toure Oumar Ibrahima	Minister, Food Security Commissioner
	Bah Sidi Almoctar	Director General of the Public Treasury
	Dicko Bassa Diane	ARC National Coordinator
	Sy Mamadou	ARC Focal Point
<b>Mauritania</b>		
	Zeinebou Maouloud	ARC programme Supervisor, CSA
	Ahmed Challa Sid'Amine	Advisor to the Prime Minister
	Moustapha Cheikh Abdellohi	ARC National Coordinator
<b>Niger</b>		
	Moumouni Adamou	Advisor to the Minister of Finance
	Abdoulhamid Issaka	Insurance Inspector
<b>Nigeria</b>		
	Y.T Maigeni	Diplomate

<b>The Gambia</b>		
	Sissokho Oumie	Director of Operations, Natural Disasters
	Jallow Nawdo Amadou	ARC Government Coordinator
	Fadera Alagie	Director
	Isatou Camara	Development Planner
<b>Senegal</b>		
	Abdou Lahat Sourang	Ambassador of Senegal in Cote d'Ivoire
	Abdoulaye Noba	
	Momath Ndao	Commissioner of Insurance at the Ministry of Economy, Finance and Planning
	Cheikoun Cisse	General Secretary, Ministry of Interior
	Mamadou Deme	Insurance Director
	Massamba Diop	ARC Government Coordinator
<b>Togo</b>		
	Wetro Edem	Agriculture Engineer, Chief Crop Forecasting,
	Essobadou Batayodi	Economist, Ministry of Economy and Finance
<b>Zambia</b>		
	Kangwa Patrick	Permanent Secretary
	John Nongai	Advisory Assistant
<b>Zimbabwe</b>		
	Mpofu Obert Moses	Minister of Macro-Economic Planning
	Gibson Mhlanga	Principal Director
	Fadzai Mhariwa	Principal Economist
<b>ARC Agency Governing Board</b>		
	Birama Sidibe	Member
<b>ARC Ltd Board of Directors</b>		
	Lars Thunell	Chairman
	Wise Chigudu	Director
<b>OBSERVERS</b>		
	Agnes Atang	Uganda
	Bernard Lukwama	Uganda
	Thomas Yanga	ARC Special Advisor
	Marc Engelhardt	Germany
	Susanne Feser	Germany
	Laure Quentin	France
	Adeyinka Badejo	WFP
	Johanna Gardesten	WFP
	Janine Cocker	Canada
	Andre Magnus	Sweden

	Brigitte Junker	Sweden
	Nicola Jenns	United Kingdom
	Daniso Ishmael Sunga	SACAU
	Mouhamady Cheick Cissokho	ROPPA
	Wessan Mankoula	Africa CDC

## **Annex 2**

### **Agenda**

#### **Fifth Session of the African Risk Capacity (ARC) Agency Conference of the Parties**

1. Election of the Bureau
2. Consideration of the Provisional Agenda and Programme of Work of the Conference of the Parties and consideration of the requests of partner organizations to participate in the session of the Conference of the Parties as observers

#### **Briefings**

3. Report of the ARC Agency Governing Board
4. Briefing by the Director General of the ARC Agency on the activities of the ARC Agency since the fourth session of the Conference of the Parties
5. Briefing by the Chairperson of the African Risk Capacity Insurance Company Limited (ARC Ltd) on the activities of ARC Ltd since the fourth session of the Conference of the Parties and introduction of Ms. Dolika Banda, the new Chief Executive Officer of ARC Ltd

#### **Items for Decision**

6. Consideration of the Programme of Work and Budget for 2017 and the Report of the ARC Agency Governing Board
7. Consideration of the Alternative Payout Mechanism (formerly referred to as the Escrow Account Rules)
8. Consideration of the Criteria for the Selection of a Permanent Headquarters of the ARC Agency
9. Selection of Members and Alternate Members of the ARC Agency Governing Board for the Eastern and Northern African Seats

#### **Items for Discussion**

10. Presentation on premium financing and the financial sustainability of ARC Agency
11. Presentation on Malawi, including the revised insurance contract and progress thus far on the implementation of the insurance payout
12. Presentation on outbreak and epidemics insurance product
13. Presentation on Treaty ratification status
14. Agreement on the date and place of the next session of the Conference of the Parties

## **Annex 3**

### **2017 Programme of Work and Budget**

This document provides an overview of the ARC Agency's Program of Work in 2017. Each section of the document provides a brief update on the departmental work that was completed between the August 2016 meeting of the ARC Agency Governing Board and December of 2016. However, the focus of the document is on the key activities planned for 2017.

#### **Institution Building**

ARC has been and will continue to work to heighten its visibility to African Union States that are not ARC Members with the intention of expanding the membership of ARC. During 2017, ARC will continue its dialogue with non-member African Union States and aim to increase its engagement directly with countries and by participation in continental fora. It is intended that, in addition to expanding membership, this will strengthen its continental leadership role on disaster risk management and financing as well as strengthen ARC's position as the representative body of African countries both within Africa and globally.

In parallel, ARC has been providing and will continue to provide support to its Member States to encourage timely Treaty ratification. During the fourth session of the CoP, held in Addis Ababa, Ethiopia, on 22 and 23 January 2016, ARC's Member States decided to establish a twelve month timeline for ARC Member States to ratify the Treaty. In order to fulfil this decision, ARC Agency Member States agreed to engage their best efforts to ratify the Treaty by January 2017.<sup>1</sup> Thus far, three countries- **Mauritania, The Gambia and Mali** - have ratified the Treaty and deposited their instruments of ratification with the Chairperson of the African Union, and two additional countries – **The Republic of Chad and Senegal** – are most of the way through the ratification process. The ARC Agency Secretariat has developed a ratification plan to support ARC Agency Member States pursuing ratification. In 2017, the Secretariat will request the support of the Members of the ARC Agency Governing Board and other ARC champions to engage with the leadership of ARC Agency Member States that are considering ratification.

While the CoP cannot choose a headquarters location for the ARC Agency until 10 instruments of ratification have been deposited with the African Union Commission, the process for selecting a headquarters location has been developed and the preliminary stages of the process may begin in 2017, depending on the decisions of the CoP.

In 2017, the ARC Agency Governing Board will meet at least twice, they have already met once in January and will meet in July, to give direction to the Secretariat and take the steps necessary to put the policy decisions of the ARC Conference of the Parties (**CoP**). ARC is also planning for its fifth meeting of the CoP which will take place in early March 2017 in Abidjan, Cote d'Ivoire.

Alongside this work on ratification, ARC Agency in 2017 will continue its work towards the development of rules and regulations that will enable ARC to achieve independence, fulfil its treaty mandate and institutionalize its

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<sup>1</sup> Report of the Fourth Session of the Conference of the Parties of the African Risk Capacity (ARC) Agency, paragraph 18 (k).

activities. As a critical first step, ARC has developed a Strategic Framework which outlines ARC's vision, mission and overarching strategic objectives for the period 2016-2020. The development of rules and regulations will be framed by the vision and objectives outlined in this document. Such institutionalisation of the processes is critically important since the increased range of products that ARC intends to offer beginning in 2017, including replica and tropical cyclone products, and the future introduction of flood, Outbreak and Epidemic Insurance and the Extreme Climate Facility, will necessitate additional rule making and governance support. Therefore, ARC Agency is working to develop a legal and institutional framework that can accommodate the full range of its planned activities.

## Research and Development

ARC's Research and Development (R&D) programme focuses on developing and continually improving ARC insurance products and other risk management tools so that they continue to be relevant to ARC Member States and that basis risk is minimised. ARC's philosophy to date has been to develop initial products in-house to the extent possible, to ensure that they meet ARC's exacting and specific requirements for risk transfer, and then engage with ARC Member States and partners on the refinement, review and further development of the initial product concepts and the tools needed to support their successful use and application. The ultimate objective of this process is to ensure that all Member States have access to the state of the art technologies and the internal capacity to use them effectively, in an effort to meet the needs of the people that are most vulnerable to natural disasters and to build long-term climate resilience for Africa.

From May 2016 onwards significant attention was devoted to the Malawi customisation technical review. While the technical review has showed that *Africa RiskView* is a robust modelling platform if the correct input assumptions are used, many lessons learned from this experience will be incorporated into ARC's political, operational and technical work with Member States going forward. In addition the review further emphasised the need to continue investing in further longer-term drought model research and development (R&D) and resources, which will begin to be implemented in 2017. During this period there was also continued development on ARC's new flood and tropical cyclone products, further technical R&D work on the Extreme Climate Facility (XCF) and the start of the R&D phase for ARC's Outbreak & Epidemic (O&E) insurance programme, including the hiring of an O&E Lead Advisor who joined the ARC Secretariat in August.

Two new Expert Advisory Panels to support R&D work were also launched in 2016. In order to support ARC in its efforts to constantly improve *Africa RiskView* and ensure that it remains state of the art, in May 2016 ARC put in place the *Africa RiskView* Expert Advisory panel as an independent advisory body. The panel was created to provide technical guidance on *Africa RiskView* developmental, technical and legal issues, and provide support to the Secretariat. The input from the panel will act to provide both quality control to the design of the software and provide independent considerations for its development. In 2016 the panel met three times to discuss *Africa RiskView* intellectual property, development and maintenance needs and the model performance in Malawi. The first O&E Expert Advisory Panel meeting was held in September, at the Rockefeller Foundation in New York. The O&E panel draws on experts from US-CDC, the African Union, Rockefeller Foundation, Allianz Global Corporate &

Specialty, and the Noguchi Memorial Institute for Medical Research in Ghana and has been established to guide the ARC Secretariat as it develops its new O&E programme.

In 2016, the R&D Department also initiated five technical collaborations, which will continue into 2017:

- To tackle some of ARC's R&D priorities, in late 2015 ARC formed a research consortium called ALERT (African Local Emergency Response Transformation) composed of ARC, Imperial College, University of Reading, World Food Programme (WFP), International Livestock Research Institute (ILRI), Kenya's National Drought Management Authority (NMDA) and AGRHYMET in response to a DFID-NERC call for research proposals for the new Science for Humanitarian Emergencies & Resilience (SHEAR) programme in early 2016. A four year work-plan and funding proposal was developed and, while not successful in the SHEAR call, the consortium is continuing to actively seek funding for the work outlined in the proposal and to broaden its membership to help successfully deliver on this work. This consortium builds on existing ARC in-country relationships (e.g. ILRI, NDMA, AGRHYMET) and complements existing ARC R&D partnerships such as with the World Bank on their *Confronting Drought in Africa's Drylands: Opportunities for Enhancing Resilience*<sup>2</sup> and with UN Global Pulse on the potential use of mobile data for monitoring impact (see below).
- ARC together with UN Global Pulse and its research partner the University of Madrid, submitted a final proposal to the telecommunication company Orange for their Big Data Challenge in October to study impact of poor rains on household activity in rural districts of Senegal during the recent 2014 drought (and ARC payout) through anonymised mobile phone data. The Centre de Suivi Écologique (CSE) of Senegal has shown interest in a tripartite research project, between ARC, Orange, and the Government of Senegal. The proposal has been short listed and is likely to start in early 2017.
- ARC has started working with WFP farmer insurance programme R4 and their technical service provider International Research Institute for Climate and Society (IRI) at Columbia University's Earth Institute to outline a joint drought model R&D programme to start in late 2016.
- The European Commission's Joint Research Council (JRC) has started reviewing *Africa RiskView* and the ARC in-country engagement process as part of a potential contribution to ARC from the EU – ARC has asked that JRC provide recommendations on better customisation quality assurance as part of this process.
- ARC is currently working with the World Bank's Disaster Risk Financing and Insurance unit to conduct a robustness analysis for *Africa RiskView* customisation to better communicate the uncertainties and limitations in the model with respect to parameter selection decisions and, moreover, how better data from countries themselves can reduce these uncertainties. Building on existing internal ARC work, such an analysis – applicable to all models<sup>3</sup> – and could become a standard feature of how ARC communicates

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<sup>2</sup> ARC is still working with the World Bank to complete a technical publication to underpin this study.

<sup>3</sup> This work will also be a helpful communication framework for the World Bank on their parametric risk modelling projects.

the scope and limits of what *Africa RiskView* can capture, and help manage, with countries going forward so that expectations are better managed.

In 2017 ARC R&D will focus on the following key areas:

- **Africa RiskView:** ARC will immediately implement the recommendations of the *Africa RiskView* Expert Advisory Panel from their December meeting to increase coding staff and server resources. This will allow the team to make rapid process on software coding and development needs in the year ahead, including fully incorporating the tropical cyclone model into *Africa RiskView*, incorporating the river flood model into *Africa RiskView* for the 2018 insurance pool and further development of existing *Africa RiskView* functionality and features of the current drought model and to support in-country customisation. The recommendations of the ARV Panel related to ensuring continuity, knowledge sharing and software maintenance will also be implemented in 2017. The ARV Panel recommended as well that additional measures be taken to increase protection of *Africa RiskView* through additional intellectual property protections and through patent registrations. One of the members, the Director at the Department for Traditional Knowledge and Global Challenges, World Intellectual Property Organization offered to support the Agency to this end.
- **Flood Product:** In 2016, the R&D team made great process on developing ARC's river flood insurance product in partnership with Massachusetts-based modelling firm Atmospheric and Environmental Research Inc (AER). The development process has been challenging and technically extremely complex but by December 2016 AER delivered the final historical daily pan-African flood extent depiction (AFED) product, together with automated near real-time AFED processing streams. In general AFED shows good performance when comparing with documented large river flood events, though an in-depth validation of flood events visible in AFED is required for each country to establish AFED's spatial and temporal accuracy and to determine the minimum detectable flood size for each river basin. In 2017, ARC will work with five interested countries (The Gambia, Mozambique, Cote d'Ivoire, Nigeria and Ghana) to pilot ARC's flood model which will allow in country experts to understand the model and determine how to most effectively use the model to manage risk. The outcome of this pilot is expected to yield significant learning and information for ARC and the countries to inform the 2018 product launch. Engagement will continue with other countries as part of the overall research and development effort and AER's contract has been renewed so that any modifications to the AFED model following this country engagement and piloting is incorporated in time for 2018.
- **Tropical Cyclone:** ARC's tropical cyclone model is being finalized and will be fully incorporated into *Africa RiskView* in the first half of 2017 in time for the 2017/18 South West Indian Ocean tropical cyclone season. Unique to ARC, the tropical cyclone model will be customizable, through *Africa RiskView*, by countries.
- **O&E:** ARC's O&E R&D programme will scale up rapidly in 2017, following its launch in 2016. New staff will be hired to support the O&E Lead Advisor and at the start of the year a procurement process will be launched to identify O&E risk profiling, risk modelling and contingency planning partners for the required

technical work. The team will also focus on identifying target pathogens and countries for an initial O&E pilot in 2018 and will focus on country engagement. In parallel it will continue to build partnerships with regional and international actors in the public health emergency arena, including the WHO, African CDC and World Bank, and to rely on the O&E Expert Advisory Panel for advice.

- **XCF:** While country outreach on XCF will scale back slightly, so that ARC can focus on its core insurance programme with countries, 2017 will see the completion of the technical work on XCF. By the end of the year the Extreme Climate Index will have been fully reviewed, the financial and operational structure of XCF fully defined and a cost benefit analysis, focusing on the value-add of the XCF climate adaptation planning process, completed. A country and donor engagement strategy will also be developed, so that a transition to an operational phase, with enhanced country and donor outreach, can begin in late 2017 and continue in earnest in 2018.
- **Research Partnerships:** ARC R&D will continue to engage with the partners outlined above in 2017 to make progress on its drought R&D priorities.

## Program

**Summary of Pool III Implementation.** In its second year of implementation ARC offered drought insurance to seven countries for the 2015/2016 policy year - The Gambia, Kenya, Malawi, Mali, Mauritania, Niger and Senegal - for a total insurance coverage of 2015/2016 USD 178 million, with corresponding premium of USD 24.7 million. Due to a poor rainfall season in Malawi during the 2015/2016 season, Malawi will receive a payout of US \$8.1 million from ARC Ltd to be used to provide assistance to approximately 808,834 people impacted by the drought.

In the 2016/2017 insurance policy year, six countries have so far signed policies - Burkina Faso, The Gambia, Mali, Mauritania, Niger and Senegal. However, of these six countries, one has not yet paid the insurance premium and another overpaid. In the case of the latter the excess payment will be deducted from their next premium invoice for 2017/2018. Although the situation in each country is unique, ARC is receiving feedback from member states indicating that a significant factor in non-payment or delay in payment of premiums is payment fatigue as well as overall fiscal constraints within the governments. In addition and notably, the Government of Kenya has elected to not renew its policy. It has cited political pressure to explain expenditures as well as the need to respond to food insecure populations (events that were determined to be within the Government's retention).

ARC's cyclone product was prepared for the 2016 season and one member state, which had successfully completed a comprehensive technical programme with ARC, would have been ready to participate in ARC's tropical cyclone insurance programme, but due to liquidity challenges were unable to pay the premium and participate. It was also decided that the flood insurance launch would be delayed until 2018 to allow more technical work on flood to be completed and to allow a pilot period by countries.

**Focus on the Strategic Framework.** In order to encourage pool growth, in 2017 ARC will focus on achieving the goals in the Strategic Framework 2016-2020 which highlight the critical role premium financing and replica play in expansion of ARC. ARC's projected growth and targeted countries is outlined in its recent Growth Strategy. Currently, no countries in the ARC pool are supported through external resources in their payment of ARC

premium, but several donors have been approached and both the African Development Bank (AfDB) and the European Union (EU) have expressed interest in supporting premium payments, others have also indicated the potential for supporting member states in this way.

AfDB intends to start a support programme with at least ten of its Regional Member Countries over a period of 5 years with a digressive premium subsidy mechanism (total of 60 million USD). The decreasing nature of the financial support, together with the Agency's support in establishing the proper policies and contingency planning, are meant to assist countries in shifting from an ad hoc disaster risk financing approach to a paradigm where planned expenditures by government can be deployed efficiently within public financial management. ARC expects the mechanism to be in place by May 2018.

Together with the French Development Agency, the European Union intends to support an Access Support Facility, which would provide premium funding for countries looking to purchase coverage for multiple perils offered by ARC. The EU is proposing to support this window for the next 4 years, with a total amount of 15 million EURO. ARC envisions that after this period, the benefits of climate insurance and pooled risk will become clear and tangible to countries and external funding will become less necessary, especially if coupled with AfDB financial support.

ARC had hoped to launch Replica in 2016, there was support for this from ARC Member States, partners and donors. One Member State in particular was in the process of discussing Replica coverage with a selected partner. These discussions were not concluded in time for the season and for this reason replica coverage was not launched in 2016. ARC has continued to make significant progress on the operational steps and procedural steps required to implement a pilot for Replica. ARC Agency has been doing planning work and preparation of key documentation with its two main Replica partners WFP and the START Network.

In 2017, most of ARC's work on Replica will focus on planning and support to partners. KfW at COP 22 signalled its commitment to spend 10 million EURO in 2018 and 2019 on Replica financing. ARC has been working to determine how that financing can be best leveraged and in 2017 will focus intensely on work with Member States and partners to be ready to utilize this financing.

**Technical and Operational Changes for 2017.** While acknowledging that ARC's growth is heavily dependent on investment in premium financing in 2017 ARC is committed to improving its operations in order to better meet client needs and to provide efficient and effective services.

One of the biggest changes that will be made in 2017 is the introduction of two start dates for the season. A single inception date for the pool does not meet the needs of countries with various risk periods and agricultural seasons. Countries with seasons that start just before or just after the inception date require additional support to ensure that the products are tailored for the country's needs. Therefore ARC plans to have two inception dates moving

forward in order to take into consideration the various risk period dates and the underwriting and reinsurance purchasing needs of ARC Ltd.

In addition, ARC's experience from three years of operations has highlighted the need for ARC to invest in quality management mechanisms across all work streams. ARC is therefore committed to enhance quality control on all contracts underwritten through appropriate checks and balances on customization and the Programme Department will focus on implementing these mechanisms in partnership with the R&D Department. This will be carried out through short term actions that can be done for Pool IV as well as longer term action such as putting in place external review bodies.

ARC's focus for 2017 will remain the consolidation of the drought programme. Based on lessons learned, as stated above, ARC will work towards eliminating bottle necks and accelerating pool growth. In addition, the tropical cyclone product that is now ready will be offered to interested member states. Furthermore, ARC will start exploring broader uses of its drought product. While food security remains a priority for many countries, discussions with some governments have demonstrated the desire of these countries to use ARC in the context of broader disaster risk management programmes and in coordination with other disaster risk financing products. For example, some countries would like to use ARC's financing tools to support scale-up of social programmes or as a backstop to government-sponsored agricultural insurance mechanisms. ARC will increase its focus on supporting these countries which will help the pool grow. Bringing in key countries like South Africa, Botswana, Namibia, and Nigeria should accelerate growth as they are often leaders in introducing new mechanisms to other Member States. In pursuing these new opportunities, ARC will need to be flexible in its resource deployment and innovative in product and service development, while adapting its policies and procedures to these differentiated products.

Finally, informed by the significant cultural, political, and operational differences across regions, ARC will follow an even more regionalised approach to operations. This will allow ARC to provide targeted support to clients based on their risk exposure, demand for insurance and prior participation in the pool, and to staff based on regional portfolios.

**Capacity Building Focus.** ARC Programme Department focuses on capacity building with countries and this will remain the centre of ARC's work for 2017. However, given the lessons learned from ARC ongoing operations, 2017 will bring renewed focus in three areas:

- 1) Training in *Africa RiskView* – ARC will look to improve its current approach to capacity building with countries around *Africa RiskView*. While capacity has been built in many countries, expanding this capacity to a larger number of technicians and policy makers is critical in order to ensure ownership which is critical for the credibility of ARC's products. During the first quarter of 2017 ARC Agency will work on this improved strategy with a goal for implementation in the second quarter of 2017.
- 2) Project Planning – Given ARC's push to link premium financing to IFI financing, ARC will provide training to ARC staff on project planning and work with countries to access resources that come available from IFIs.
- 3) Linkages with Disaster Risk Financing and Disaster Risk Reduction – ARC has aimed to integrate itself into countries budgets and response planning, but ARC Agency in 2017 will increase this investment and focus heavily in working with Government on DRF and DRR policy and integration.

## Policy and Technical Services

The Policy & Technical Services Department is responsible for ensuring quality knowledge and learning enhancement within the ARC Agency and consolidating partnerships with regional and international bodies in line with the ARC vision and goals. Since the last Governing Board meeting, a number of initiatives were undertaken:

- Development of strategic paper to guide technical partnerships with Regional Economic Communities (RECs) and associated technical arms. This also included the initiation of negotiations around the development of Memorandum of Understanding (MoU) and associated work plans to guide such collaboration;
- Engagement with the African Union Commission (AUC) to strengthen the relationships with its various organs. Key outcomes of this increased engagement included the adoption of the Executive Council decision for ARC to present its annual report to the relevant bodies of subsequent AU Summit sessions (Ex. CI/Dec.934 (XXIX)), the first of which will be in January 2017 and greater collaboration and policy dialogue with the AUC on issues of climate change, disaster risk management and food security. This included jointly hosting a number of side events with the following AUC organs between July – December 2016:
  - A joint high level side event at the 22nd United Nations Framework Convention on Climate Change Conference of Parties (UNFCCC COP 22) with the African Ministerial Conference on the Environment (AMCEN), African Group of Negotiators to the UNFCCC (AGN) and the African Development Bank (AFDB);
  - Participation in the Africa Regional Platform on Disaster Risk Reduction and the joint hosting of a side event with the AFDB and World Bank;
  - ARC membership on the steering committee on the establishment of the Africa Adaptation Initiative (AAI) which will be responsible for enhancing action on adaptation and loss & damage in Africa and which will play a key role in continued advocacy for ARC within the UNFCCC processes.

ARC was also actively engaged in regional and international policy dialogues and participated in a number of meetings. The ARC Agency has been invited to: (i) join the task force to develop a high-level Social Protection group for the Southern Africa region comprised of World Food programme (WFP), United Nations Children's Fund (UNICEF), the World Bank (WB) and ARC; (ii) contribute to the Regional Inter-agency Standing Committee (RIASCO) Action Plan for Southern Africa: Response Plan for the El Niño-induced Drought in Southern Africa (May 2016 - April 2017); and, (iii) participate in the World Bank and IMF Annual and Spring meetings and United Nations General Assembly (UNGA). In support of these efforts, the Policy and Technical Services Department also produced and/or contributed to a number of publications.

The Programme of Work for the Policy and Technical Services Department in 2017 will continue to focus on strengthening the relationship between ARC and AUC and Regional Economic Communities (RECs) and their associated technical arms and more specifically the following:

- **West Africa:** ECOWAS/CILSS/AGHRMET;
- **East Africa:** IGAD/ICPAC;

- **Southern Africa:** SADC/BDMS (MESA);

Over the coming month, it is expected that discussions will be formally initiated with the Global Environment Facility (GEF) and for accreditation to the Green Climate Fund (GCF) building on engagement at UNFCCC COP 22.

ARC will also undertake a new ARC cost benefit analysis and formally initiate the implementation of a quality assurance programme for the institution (ISO 9001), continue to strengthen engagement with the international partners, increase outputs and publications to demonstrate the work being undertaken by ARC to support broader understanding of the mechanism and contribute to broader policy dialogue.

## Monitoring and Evaluation

ARC work on M&E during 2016 focused on the conclusion of the M&E activities for the ARC Payouts from the 2014-2015 season. The final component of this was the financial audit.

In early 2016 ARC Secretariat contracted a financial auditor, Deloitte, through a competitive process, to conduct the financial auditing component of the process audit in the three countries. The financial auditor field work started in April and the firm should have provided its final work by mid-June to the ARC Secretariat. There were significant delays in delivery from Deloitte which arose from challenges gathering information from the countries, the nature of the Audit, and Deloitte's own availability. As a result the final audit documents were only delivered in November of 2016 and shared with the Finance and Audit Committee of the Governing Board. Deloitte has reported on the outcomes of the audits. In these reports there were no major areas of concern raised by the auditors that had not been discussed previously.

Between January and November of 2016, ARC carried out a recruitment process to hire an M&E Officer. This recruitment was finalized in November and the candidate is starting in December of 2016. In 2017, this officer will greatly increase ARC's capacity in Monitoring and Evaluation. This will include focus on the establishment of an M&E MIS system, monitoring ARC's results based framework, improving ARC's M&E systems, and training ARC staff in integration of monitoring and evaluation into ARC's activities.

In addition ARC has begun working with DFID on the 10 year evaluation that is funded by DFID. This work started in January of 2016 but was delayed in order to ensure the work was in line with ARC's Strategic Framework. During 2017 the inception report will be presented for this work by Oxford Policy Management and discussed at the ARC Governing Board meeting. A steering committee is also being set up to provide input into the evaluation for 2017 beyond. This Steering Committee will include ARC Senior Managers and ARC and ARC Ltd Board Members. The precise activities for 2017 is provided in the inception report and the subsequent discussions on the topic will highlight how they will be implemented.

## Communication

Since September of 2016 ARC has had a new Senior Communications Advisor who is in the process of hiring and contracting a team of technical communications specialists and services, and a consultant was recruited in January 2017 to support this department. In 2017, these activities will include, among others: strategic review and design

of ARC corporate identity, new ARC website and the implementation of digital communications strategy as well as dedicated media/public relations specialist(s) and improved printed materials.

## Resource Mobilization

ARC Agency has been in continuous dialogue with its existing donors and new donors in order to secure financing for the Agency operations. Over the course of 2016 ARC signed agreements for 14.2 million USD in new contributions and received 8.1 million USD against new and existing agreements. In 2017 ARC hopes to receiving up to 15.5 million USD in new contributions but at present there are only agreements in place for US\$ 2.4 million USD. This financing has come from grants from KFW, DFID, and SDC. Also during this time, as a result of both ongoing dialogue and commitments made as part of InsuResilience, new donors have stepped up to direct support to the Agency, these donors include African Development Bank, BMZ, Canadian International Development Agency and French Development Agency. The commitments from these entities amount to 15.5 million, but only \$6 million USD of these commitments has been approved to date.



# **African Risk Capacity Budget 2017**

February 2017

ARC/COP5/D009.1002\_17

[www.africanriskcapacity.org](http://www.africanriskcapacity.org)

## Budget Overview and Process

This document outlines the budget of the African Risk Capacity (ARC) for 2017. The budget reflects the costs of staff and activities required for ARC to achieve its goals as outlined in ARC's Strategic Framework, Results Based Framework, and Work Plan.

In order to determine the resources needed, ARC had previously, as part of its Strategic Framework, developed the Results Based Framework and Budget for 2016-2020. In line with these documents, the African Risk Capacity Budget for 2017 reflects the activities and staff for the next calendar year. Each of ARC's departments contributed to ARC's Implementation Work Plan through the development of a detailed list of activities and staffing needs. It is important to note that this is a rolling budget that will be updated annually on the basis of the annual work program which itself is contingent on the lessons learned and that year's operational plan.

The budget of the Agency for 2017, including the total cost for staff and activities but excluding the Extreme Climate Facility (XCF) and Outbreaks and Epidemics (O&E), is estimated at USD 12,148,510. With the Research and Development budgets for O&E and XCF this goes up to USD 13,901,632.

Table 1 – Total Budget

Budget	ARC Agency	O&E (R&D)	XCF R&D)	TOTAL
<b>Direct Project Costs</b>	<b>11,353,748</b>	<b>971,164</b>	<b>667,268</b>	<b>12,992,180</b>
Indirect Support Costs	794,762	67,981.45	46,708.79	909,453
<b>Total Costs</b>	<b>12,148,510</b>	<b>1,039,145</b>	<b>713,977</b>	<b>13,901,632</b>

## Budget by Outcome

ARC's budget can be divided along ARC's three objectives. Table 2 presents the Agency budget per outcome.

- Outcome 1 - Dynamic and applied research and development that provides improved access to innovative tools and insurance products for AU Member States to effectively manage their natural disaster risk.
- Outcome 2 - Strengthening disaster risk management on the continent through enhanced AU Member State ability to anticipate, plan for and respond to natural disasters in an efficient and effective manner.
- Outcome 3 - Increased scalability of the ARC operation and insurance coverage.

Table 2 – Budget by Outcome

Budget by Outcome	Activities	Staffing	TOTAL	% Breakdown
Outcome 1	941,888	2,257,586	3,199,474	26%
Outcome 2	2,520,912	2,609,135	5,130,047	42%
Outcome 3	1,200,677	1,823,550	3,024,227	25%
<b>Direct Project Costs</b>	<b>4,663,477</b>	<b>6,690,271</b>	<b>11,353,748</b>	<b>93%</b>
Indirect Support Costs	326,443	468,319	794,762	7%
<b>Total Costs</b>	<b>4,989,920</b>	<b>7,158,590</b>	<b>12,148,510</b>	<b>100%</b>

### Budget by Department

Table 3 presents the detailed budget by Department. The table describes the inputs and expenditures needed to deliver the output as planned in the 2017 work program for each Department. XCF and O&E are not included since both are special projects to develop new models and not yet mainstreamed in regular activities.

Chart 1 – Budget by Department

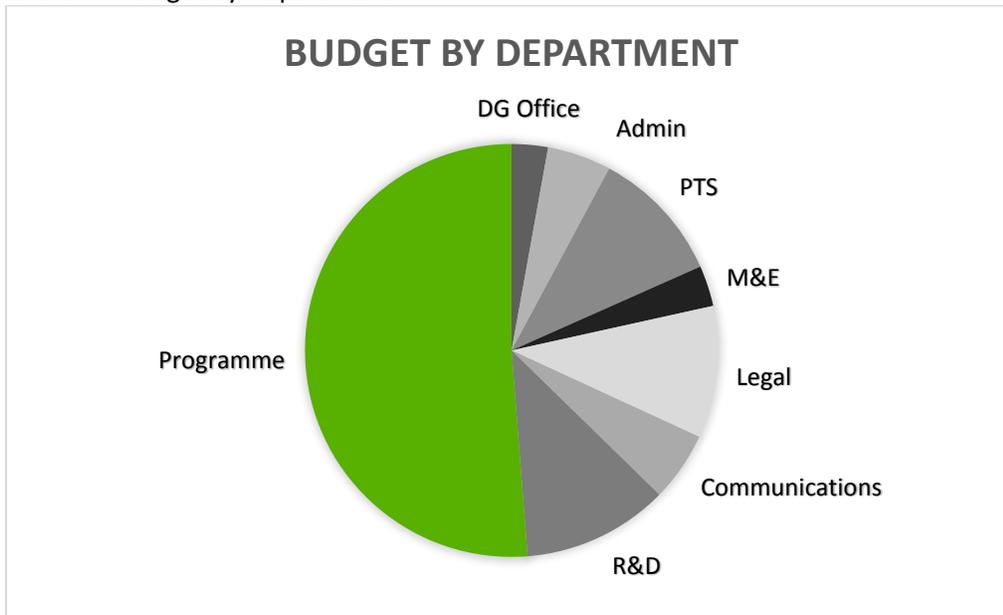


Table 3 - Budget by Department

Budget by Department	Activities	Staffing	TOTAL	% Breakdown
DG Office	132,412	404,520	536,932	4%
Admin	233,202	644,550	877,752	7%
PTS	489,713	746,700	1,236,413	10%
M&E	148,884	247,080	395,964	3%
Legal	482,221	389,880	872,101	7%
Communications	253,537	359,040	612,577	5%
R&D	534,152	1,015,676	1,549,828	13%
Programme	2,389,356	2,882,825	5,272,181	43%
<b>Direct Project Costs</b>	<b>4,663,477</b>	<b>6,690,271</b>	<b>11,353,748</b>	<b>93%</b>
Indirect Support Costs	326,443	468,319	794,762	7%
<b>Total Costs</b>	<b>4,989,920</b>	<b>7,158,590</b>	<b>12,148,510</b>	<b>100%</b>

Budget Research Projects	Activities	Staffing	TOTAL	% Breakdown
O&E (R&D)	606,221	364,943	971,164	55%
XCF (R&D)	449,648	217,620	667,268	38%
<b>Direct Project Costs</b>	<b>1,055,869</b>	<b>582,563</b>	<b>1,638,432</b>	<b>93%</b>
Indirect Support Costs	73,911	40,779	114,690	7%
<b>Total Costs</b>	<b>1,129,780</b>	<b>623,342</b>	<b>1,753,122</b>	<b>100%</b>

Total ARC Budget incl. O&E + XCF	Activities	Staffing	TOTAL	% Breakdown
<b>Direct Project Costs</b>	<b>5,719,346</b>	<b>7,272,834</b>	<b>12,992,180</b>	<b>93%</b>
Indirect Support Costs	400,354	509,098	909,453	7%
<b>Total Costs</b>	<b>6,119,700</b>	<b>7,781,932</b>	<b>13,901,632</b>	<b>100%</b>

## Staffing Budget by Department

The staffing levels for 2017 are calibrated to the manpower needed to achieve the goals elaborated in ARC's Strategic Framework. All staff are costed on standard position costs as determined by the World Food Programme with whom ARC has an Administrative Services Agreement.

This table together with the activity budget table below presents the major categories of expenditures and demonstrates how the budget was constructed. The table below gives an overview of the staffing as tentatively planned for 2017. The staffing of the two project XCF and O&E are presented separately.

Table 4 – Staffing Budget by Department

### ARC Agency

Director General, ASG, Staff	Grade	Location	Unit	Unit Cost	Quantity	Cost
DG ASG	ASG	Joburg	Monthly	30,410	12	364,920
Executive Assistant	G6	Joburg	Monthly	3,300	12	39,600
<b>Total</b>						<b>404,520</b>

Administration, Staff	Grade	Location	Unit	Unit Cost	Quantity	Cost
HR Officer (WFP/ARC)	P5	Joburg	Monthly	23,405	9	210,645
Procurement Assistant	G5	Joburg	Monthly	3,000	12	36,000
Human Resource Assistant & Rome Liaison	G5	Rome	Monthly	8,115	12	97,380
Driver	G3	Joburg	Monthly	1,800	12	21,600
<b>Total</b>						<b>365,625</b>

Administration, Consultant	Grade	Location	Unit	Unit Cost	Quantity	Cost
Senior Budget, Finance & Admin Officer	Consultant	Joburg	Monthly	12,000	10	120,000
Project Management Consultant	Consultant	Remote	Daily	359	165	59,235
Finance Officer	Consultant	Joburg	Monthly	9,000	2	18,000
HR/Learning & Development Consultant	Consultant	Joburg	Monthly	4,290	11	47,190
Consultant Appointment travel						1,500
MSLS						33,000
<b>Total</b>						<b>278,925</b>

Policy and Technical Services, Staff	Grade	Location	Unit	Unit Cost	Quantity	Cost
Programme Assistant	G5	Joburg	Monthly	3,150	4.8	15,120
Director of P&TS	P5	Joburg	Monthly	23,405	12	280,860
Policy Officer (Climate Change)	P3	Joburg	Monthly	14,935	12	179,220
Intern	Intern	Joburg	Monthly	400	10	4,000
<b>Total</b>						<b>479,200</b>

<b>Policy and Technical Services, Consultant</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
Partnership & Resource Mobilisation Officer	Consultant	Joburg	Monthly	6,500	10	65,000
Lead Economist	Consultant	Joburg	Monthly	9,000	9	81,000
Policy Consultant	Consultant	Joburg	Monthly	7,000	6	42,000
Consultant Appointment travel						4,500
MSLS						75,000
<b>Total</b>						<b>267,500</b>

<b>Monitoring and Evaluation, Staff</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
Senior Advisor Monitoring & Evaluation	P4	Joburg	Monthly	18,460	12	221,520
Programme Assistant	G5	Joburg	Monthly	3,150	2.4	7,560
<b>Total</b>						<b>229,080</b>

<b>Monitoring and Evaluation, Consultant</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
M&E Consultant	Consultant	Joburg	Monthly	3,000	6	18,000

<b>Legal, Staff</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
Senior Legal Counsel & Board Secretary	P4	Joburg	Monthly	18,460	11	203,060
Legal Associate Officer	P2	Joburg	Monthly	10,190	12	122,280
Programme Assistant	G5	Joburg	Monthly	3,150	2.4	7,560
<b>Total</b>						<b>332,900</b>

<b>Legal, Consultant</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
ARC Special Legal Advisor	Consultant	Remote	Daily	700	30	21,000
Senior Legal Adviser	Consultant	Remote	Daily	666	30	19,980
Honoraria (Board)						16,000
<b>Total</b>						<b>56,980</b>

<b>Communications, Staff</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
Lead Communication Officer	P5	Joburg	Monthly	23,405	12	280,860
Programme Assistant	G5	Joburg	Monthly	3,150	2.4	7,560
<b>Total</b>						<b>288,420</b>

<b>Communications, Consultant</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
Communications Consultant	Consultant	Joburg	Monthly	2,760	12	33,120
Consultant Appointment travel						1,500
MSLS						36,000
<b>Total</b>						<b>70,620</b>

<b>Research and Development, Staff</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
Director of R&D	D1	NY	Monthly	25,065	12	300,780
Intern	Intern	NY	Monthly	700	2	1,400
<b>Total</b>						<b>302,180</b>

<b>Research and Development, Consultant</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
R&D Manager (Development)	Consultant	Joburg	Monthly	10,000	8	80,000
R&D Manager (Research)	Consultant	NY	Monthly	10,000	3	30,000
ARV Developer	Consultant	Joburg	Monthly	6,300	6	37,800
GIS Expert	Consultant	Joburg	Monthly	5,250	9	47,250
Flood/New Model Analyst	Consultant	Remote	Daily	410	176	72,160
Lead ARV Engineer	Consultant	Remote	Daily	578	150	86,700
ARV Developer	Consultant	Remote	Daily	552	150	82,800
ARV Developer	Consultant	Remote	Daily	552	150	82,800
ARV Developer	Consultant	Remote	Daily	552	150	82,800
ARV Developer	Consultant	Remote	Daily	179	50	8,950
Technical Writer	Consultant	Remote	Daily	250	50	12,500
Agronomist, Data Specialist, Trainer	Consultant	Remote	Daily	538	72	38,736
Consultant Appointment travel						3,000
Honoraria (Board)						3,000
MSLS						45,000
<b>Total</b>						<b>713,496</b>

<b>Programme, Staff</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
Chief Operating Officer	D2	Joburg	Monthly	30,410	9	273,690
Programme Director	P5	Joburg	Monthly	23,405	5	117,025
TT Lead	P4	Joburg	Monthly	18,460	12	221,520
Head of Contingency Planning	P4	Joburg	Monthly	18,460	12	221,520
Head of Country Engagement - W & C	P4	Joburg	Monthly	18,460	12	221,520
Head of Country Engagement - E & S	P4	Joburg	Monthly	18,460	12	221,520
Country Engagement Manager	P3	Joburg	Monthly	14,935	12	179,220
Risk Analyst	P3	Joburg	Monthly	14,935	12	179,220
Risk Analyst	P3	Rome	Monthly	14,935	12	179,220
Risk Analyst	P3	Joburg	Monthly	14,935	12	179,220
Programme Assistant	G5	Joburg	Monthly	3,150	12	37,800
Programme Assistant (Francophone)	G5	Joburg	Monthly	3,150	9	28,350
<b>Total</b>						<b>2,059,825</b>

<b>Programme, Consultant</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
Risk Analyst	Consultant	Joburg	Monthly	6,000	9	54,000
Flood and TC Consultant	Consultant	Joburg	Monthly	6,500	6	39,000
Jr. Consultant	Consultant	Joburg	Monthly	3,000	0	0
Contingency Planning Officer	Consultant	Joburg	Monthly	3,000	11	33,000
Country Engagement Manager	Consultant	Joburg	Monthly	6,000	10	60,000
Country Engagement Analyst	Consultant	Joburg	Monthly	3,000	11	33,000
Country Engagement Manager	Consultant	Joburg	Monthly	6,000	11	66,000
Country Engagement Manager	Consultant	Joburg	Monthly	6,000	9	54,000
Country Engagement Analyst	Consultant	Joburg	Monthly	3,000	11	33,000
Country Engagement Manager N & G	Consultant	Abuja	Monthly	6,000	5	30,000
WAE Consultant W. Africa	Consultant	Joburg	Daily	400	30	12,000
WAE Consultant S. Africa	Consultant	Joburg	Daily	500	30	15,000
Country Engagement Manager - TC	Consultant	Louis	Monthly	6,000	8	48,000
WAE Consultant on Policy Dialogue Countries	Consultant	TBD	Daily	600	40	24,000
SOPs and Process Consultant	Consultant	Joburg	Monthly	7,000	3	21,000
Consultant Appointment travel						15,000
Honoraria (Board)						16,000
MSLS						270,000
<b>Total</b>						<b>823,000</b>

**Outbreak & Epidemic (O&E)**

<b>O&amp;E, Staff</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
Lead Advisor Outbreak and Epidemic	P5	Joburg	Monthly	23,405	8.5	198,943

<b>O&amp;E, Consultant</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
Senior Public Health Officer (P4 level)	Consultant	Joburg	Monthly	8,500	6	51,000
Contingency Planning/Public Health Officer	Consultant	Joburg	Monthly	6,500	6	39,000
O&E Consultant	Consultant	Joburg	Daily	500	60	30,000
Consultant Appointment travel						3,000
Honoraria (Board)						7,000
MSLS						36,000
<b>Total</b>						<b>166,000</b>

**Extreme Climate Facility (XCF)**

<b>XCF, Staff</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
Lead Advisor XCF	P5	Joburg	Monthly	23,405	4	93,620

<b>XCF, Consultant</b>	<b>Grade</b>	<b>Location</b>	<b>Unit</b>	<b>Unit Cost</b>	<b>Quantity</b>	<b>Cost</b>
Senior XCF Consultant	Consultant	Joburg	Daily	600	100	60,000
XCF Consultant	Consultant	Remote	Daily	400	100	40,000
XCF Consultant	Consultant	Remote	Daily	400	60	24,000
<b>Total</b>						<b>124,000</b>

<b>Number of staff per department by contract type</b>	<b>Monthly Consultant</b>	<b>GS</b>	<b>Intl. Professional</b>
DG Office	0	1	1
Admin	3	3	1
PTS	3	0.4	2
M&E	1	0.2	1
Legal	0	0.2	2
Communications	1	0.2	1
R&D	4	0	1
O&E	2	0	1
XCF	0	0	1
Programme	10	2	10

## Activity Budget by Department

Table 5 describes the activity budget by department. The tables highlights the activities that are planned for 2017 as proposed by each department with the corresponding estimated cost.

### ARC Agency (excl. Staff and consultants)

Table 5 – Activity Budget by Department

Director General, ASG	Specific Planned Activities	USD
Strategic and operational guidance of the ARC Agency	Include travel to support ARC objectives (3 missions per month for DG)	113,266
Fixed Costs	Rent & Utilities, TC/IT Equipment & Services, Office Supplies & Equipment	19,146
<b>Total</b>		<b>132,412</b>

Administration	Specific Planned Activities	USD
Documents and Information Management	Establish and maintain system, ensure access, use and understanding	30,000
ARC Annual Retreat	Identification of facilitators; manage retreat preparation and organisation	86,232
ARC Senior Management Retreat	Identification of facilitators; manage retreat preparation and organisation	31,825
Performance management: Staff Engagement Index/Global Staff Survey/360 degree feedback evaluation	Launch of 2017 performance assessment tool-target group tbd. Identification of service providers; Communication plan; Assessment tool roll out	8,000
Training	Staff training	15,706
Fixed Costs	Rent & Utilities, TC/IT Equipment & Services, Office Supplies & Equipment	61,439
<b>Total</b>		<b>233,202</b>

Policy and Technical Services	Specific Planned Activities	USD
Partnership Missions (Negotiating MoU's, work plan development, implementation support)	None	10,849
Publication and tool Development – these are independent from joint publications and focused on internal knowledge generation and developing one per work stream	Joint collaboration and Review of publications and tools relevant to risk transfer	5,000

Development of Materials for Knowledge transfer Academy (ARV/CP/RT)	Technical Inputs on Risk Transfer; Joint review and promotion of material and production of complimentary material	30,000
New ARC Cost Benefit Analysis	Yes. DFA might be required	150,000
Implementation of ISO 90001/Quality Assurance programme	None	15,000
Training, workshops organised with regional technical agencies on use of ARV/CP/RT and working towards embedding outputs in to regional and continental publication and knowledge hubs – 2 per workstream	Participation in Workshops	69,696
Launch of ARV/CP/RT component on the knowledge platform	None	20,000
2 joint partner publications per year/Commission of economic/public policy research piece	None	24,986
Participation in DRM partner events (global, continental, regional or national) – linked to policy engagement	High Level Support and Engagement	44,932
Hosting of joint DRM event/ARC visibility events – linked to policy engagement	High Level Support and Engagement	33,973
Training	Staff training	24,009
Fixed Costs	Rent & Utilities, TC/IT Equipment & Services, Office Supplies & Equipment	61,267
<b>Total</b>		<b>489,713</b>

<b>Monitoring and Evaluation</b>	<b>Specific Planned Activities</b>	<b>USD</b>
M&E Annual Report	Drafting and production of annual report based on activities	1,000
MIS database development	Determine appropriate M&E system, work with firm to develop system, implement system	40,000
Support DFID Evaluation	Liase with OPM, help define evaluation	6,250
Financial Audit Malawi	Procurement of Firm	30,000
Development of ARC Case Studies based on M&E outcomes	Identification of Topics, Drafting of Documents	1,000
Process Audit Malawi	Procurement of Firm	40,000
Fixed Costs	Rent & Utilities, TC/IT Equipment & Services, Office Supplies & Equipment	30,634
<b>Total</b>		<b>148,884</b>

<b>Legal</b>	<b>Specific Planned Activities</b>	<b>USD</b>
Board Meeting	Board meeting 10-11 January	85,385
Conference of the Parties	Early March 2017	185,473

Engage with countries to encourage ratification	Engage with Board members and other stakeholders to coordinate country engagement, 2. initiate country engagement	21,192
Support the finalization of Replica Contract	Further Discussions with WFP	2,435
Board Meeting	Board meeting week of 24 July	110,792
Legal Workshops	before the start of each insurance contract	43,032
Training	Staff training	10,349
Fixed Costs	Rent & Utilities, TC/IT Equipment & Services, Office Supplies & Equipment	23,563
<b>Total</b>		<b>482,221</b>

<b>Communications</b>	<b>Specific Planned Activities</b>	<b>USD</b>
Redesigning ARC corporate identity	a) Strategic review of ARC as an organisation and brand; b) redesign & roll-out of brand.	20,000
Media & public relations.	a) Media monitoring; b) management of ARC's media footprint; c) creating and securing media opportunities; d) media writing and e) placement to be principally done by PR specialist(s); f) Facilitate media support coverage at summits and annual meetings (About 10 missions a year to summits / annual meetings to manage media appointments and facilitate media support coverage).	108,760
Maintenance of a single, one-ARC website; Member country visits for online content gathering.	Launch of a new website, designed in concert with ARC brand; One trip to each member country, i.e. approximately six.	15,756
Media monitoring	Media analytics, Geographic and Demographic Analysis of ARC Audiences	7,500
Re/production of visibility items.	Visibility items to be redesigned, based on ARC revised 'look & feel', and launched starting in Apr 2017.	5,000
Photography	Photography to be commissioned on ad hoc basis, e.g. at ARC missions, Boards meetings, staff portraits etc.	5,000
Video production	Videography to be commissioned on ad hoc basis, e.g. at Special events / missions, documentaries, etc.	10,000
Adoption of a single, integrated data and relationship platform.	a) Design and adoption of a comprehensive data architecture, Client Relationship Management (CRM) platform, electronic records, etc.; b) Roll-out and on-going maintenance of the same	50,000
Training	Staff training	10,461
Fixed Costs	Rent & Utilities, TC/IT Equipment & Services, Office Supplies & Equipment	21,061
<b>Total</b>		<b>253,537</b>

<b>Research and Development</b>	<b>Specific Planned Activities</b>	<b>USD</b>
Africa RiskView Expert Advisory Panel Meetings	1 annual in-person meeting and bi-annual conference calls	19,320
R&D Team Travel with TT to ARC Member States	5 visits per year to accompany TT	10,250
On-going ARV model and software development and maintainance	Five new or improved features integrated into ARV and supporting tools (including beginning work on ARV-Lite)	69,000
New hazard modelling products developed and included in the ARV	Tropical cyclone model fully implemented in ARV; Flood model fully integrated into ARV for ARC Ltd underwriting for Pool 5	165,000
Commissioned external research workpieces and partner collaborations on specific model and data reviews and developments	One commissioned research or model development piece; one partner collaboration on ARV or related analysis	150,000
Early warning, technical and research partnerships established across Africa and internationally	One partner workshop; 20 partner visits for meetings, workshops, conferences, collaborations (including for ARCademy development inception)	20,500
Training	Staff training	11,491
Fixed Costs	Rent & Utilities, TC/IT Equipment & Services, Office Supplies & Equipment	88,592
<b>Total</b>		<b>534,152</b>

<b>Programme</b>	<b>Specific Planned Activities</b>	<b>USD</b>
Management Support to Country Programmes	Mission support for ARC Staff around policy structuring and signature	24,600
Scoping missions	Missions to introduce ARC to countries, targeting North Africa and countries that have not been visited (5-8 mission)	37,000
Treaty negotiations	Engaging countries that have not signed ARC treaty for their treaty signatures	12,150
Negotiation and signing of MoU	Support adaptation of MoU to particular country and following up on signature	39,300
Adminstrative and financial processes for MoU	Discussing with government the financial obligations, budgeting and management of the admistrative and financial obligations with the country	648,000
In country operations plans consulting	Undertake visit to countries and identify the existing disaster response mechanism in place as well as actors	19,200
Training on ARV	Training on ARV for incountry staff	75,000
In country kick off workshop	Preparation and coordination of the workshops - 9 workshops	82,800
In Country Operations Plans Workshops (new countries) Drought	Preparation and coordination of the workshop - 6 workshops	46,620
In Country Operations Plans Workshops (new countries) - Flood	2 -4 workshops-Conduct 1 workshop in each country on OP	21,440
In Country Operations Plans Workshops (new countries)- Cyclone	2 workshops-Conduct 1 workshop in each country on OP	17,840
Follow-up mission to customise Drought Model in new countries	Liaising with the GC and focal points on drought customisation progress and deliverables.	152,080

Follow-up mission to customise TC Model in new countries	Liaising with the GC and focal points on TC customisation progress and deliverables.	24,740
Follow-up mission to customise Flood Model in new countries	Liaising with the GC and focal points on flood customisation progress and deliverables.	37,900
Follow up missions to support drafting of operations plans	Provide advisory support to countries-upon their request- on OP drafting	20,500
In-country validation of OP	Support GC organise the validation meeting for the customisation - 8	39,280
Drought Model Validation meetings for all countries	Preparation and coordination of the workshop	89,560
TC Model Validation meetings for all countries	Preparation and coordination of the workshop	24,740
Flood Model Validation meetings for all countries	Preparation and coordination of the workshop	37,900
Countries OP revision/renewal	Conduct in country workshop on OP revision exercise	43,880
RTP Regional workshop Francophone	Engagement with countries, preparation of workshop material, participation	46,110
RTP Regional workshop Anglophone	Engagement with countries, preparation of workshop material, participation	45,095
RTP in country workshop	Organising and faciliating the workshop	76,850
Plan review / improvement/ translation	Review the countries OP and ensure that they meet criteria. Translate 6 plan documents into english	7,200
Policy structuring missions	Meeting with officials to support policy structuring discussions (13 countries 1 per country)	57,150
Technical Review Committee (TRC) meeting	Convene the meeting with independent experts to review the plans submitted by countries - 2 meetings	158,825
Plan improvement process	Assist countries to incorporate TRC comments into their plans	25,000
Peer Review Mechanism (PRM) for Approval process	Convene the meeting with PRM Members to consider the TRC recommendations - 2 meetings	42,288
Policy signature and premium payment follow up	Support GC facilitate policy signature and premium payment (13 mission 1 per country)	26,625
Final Implementation Plan preparation workshop in payout event	Support in country TWG for the FIP preparation	13,950
Workshop with SADC	Workshop with SADC Countries to Discuss Integration into SADC	40,990
Participate in country DRR processes	Support other in-country DRR processes and systems upon country requests; participate and represent countries at different DRR fora	40,000
Training	Staff training	75,215
Fixed Costs	Rent & Utilities, TC/IT Equipment & Services, Office Supplies & Equipment	239,529
<b>Total</b>		<b>2,389,356</b>

## Outbreak & Epidemic (O&E)

Activities Outbreak & Epidemic	Specific Planned Activities	USD
O&E Expert Advisory Committee meetings	2 Advisory Committee meetings	68,000
Develop Contingency plans, review and validate	Independent Review of Contingency Planning Standards & Guidelines	10,000
Develop Communication and Advocacy materials	PR Firm to be contracted	10,000
Scoping missions and Country engagements mission to Countries ( 5-10)	Travel to countries. 30 trips.	29,640
Participation in local and international conferences and partnership building on O&E	Conferences and partner development	14,400
Technical and Expert workshops on O&E	3 O&E workshops	51,519
Participate in African UNION and regional economic Block meetings	2 regional meeting for east and south and west and central including AU side events	24,400
Development of risk profiles and modelling of risks based on pathogen(s) selected	Outsourced work - Risk Profiling & Initial Risk Modelling for 1 Pathogen, 3 Countries	75,000
Development of Country Contingency plans	Outsourced work - CP Guidelines and Standards	75,000
Development and establishment of thresholds and trigger points based on pathogen(s) and country Risks	Outsourced work (ARC Ltd and Team) - Index and Triggering Mechanism	112,500
Finalization of customization for selected pilot countries	ARC Team - Customization per country/contract specification	87,500
Training	Staff training	9,970
Fixed Costs	Rent & Utilities, TC/IT Equipment & Services, Office Supplies & Equipment	38,292
<b>Total</b>		<b>606,221</b>

## Extreme Climate Facility (XCF)

Activities Extreme Climate Facility	Specific Planned Activities	USD
Internal ECI Review Workshops (Pillar 2)	Two Joburg-based ECI review workshops with ECI review consortium (CSIR-SASSCAL)	24,000
XCF Cost Benefit Analysis (Pillar 1)	Commission an XCF CBA and related adpation planning standards and guidelines review and refinement	200,000
Scoping Missions (Pillar 1)	Start partner engagement strategy: scoping missions to potential XCF countries and donors, conference travel (20 unique missions)	81,500
XCF Dissemination Workshop (Pillar 3)	Partner workshop focusing on ECI and CBA results and next steps to operationalisation	104,200
Commence Market Outreach on ECI (Pillar 3)	Following ECI review results (3 missions)	18,300
Fixed Costs	Rent & Utilities, TC/IT Equipment & Services, Office Supplies & Equipment	21,648
<b>Total</b>		<b>449,648</b>

Direct Activity Costs ARC Agency	4,663,477
Indirect Support Costs	<u>326,443</u>
<b>Total Activity Costs ARC Agency</b>	<b><u><u>4,989,920</u></u></b>

Direct Activity Costs O&E	606,221
Direct Activity Costs XCF	449,648
Indirect Support Costs	<u>73,911</u>
<b>Total Activity Costs O&amp;E and XCF</b>	<b><u><u>1,129,780</u></u></b>

## Annex 4

### Alternative Payout Mechanism

#### I. Background

1. The African Risk Capacity (**ARC**) comprises two entities: the ARC Specialized Agency of the African Union (**ARC Agency**), and its financial affiliate, the ARC Insurance Company Limited (**ARC Ltd**). ARC Agency provides the overall political oversight, strategic direction, and government services of ARC, while ARC Ltd carries out the insurance and risk transfer functions of ARC. The Governing Board of the ARC Agency (the **Agency Board**) grants Certificates of Good Standing to ARC Member States that have met all of the requirements to take out insurance from ARC Ltd.<sup>1</sup> Once a country has a Certificate of Good Standing, it can take out insurance from ARC Ltd, and become a Class A Member<sup>2</sup> of ARC Ltd.

2. When an ARC Ltd insurance payout is triggered, the funds should be paid directly to the country, and used for the activities described in the country's Final Implementation Plan (**FIP**), which is also approved by the Agency Board.<sup>3</sup> Under ARC Ltd insurance policies, a payout is made only once the relevant FIP has been approved.

3. However, there may be times when it is not possible for ARC Ltd to make a payout directly to a country due to circumstances within the country. The present Alternative Payout Mechanism (**APM**) defines these circumstances and lays out the steps that must be taken in such a situation.

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<sup>1</sup> According to the Criteria for granting Certificates of Good Standing to ARC Member States adopted by the ARC Conference of the Parties (CGS Criteria), in order to obtain and maintain a Certificate of Good Standing (CGS), a country must: (i) Be a signatory to the Establishment Agreement; (ii) Have a Contingency Plan, approved by the Board, detailing the use of an ARC Ltd insurance payout, as required by the Establishment Agreement<sup>1</sup>; (iii) Have completed its review and customization of *Africa RiskView*; (iv) Be up to date in its financial obligations to the ARC Agency; and (v) Comply with its approved contingency plans when using an ARC Ltd payout, as outlined in the Compliance Rules adopted by the CoP. The Board is responsible for applying the aforementioned CGS Criteria.

<sup>2</sup> ARC Ltd is organized as a mutual insurance company with currently 2 classes of Members: Class A members, comprising the ARC Member States with active insurance policies and Class C members, comprising entities that have provided capital to ARC Ltd with the intention that it be returned, without interest.

<sup>3</sup> When an insurance payout for drought is likely, as defined the in the Contingency Planning Standards and Guidelines, or when an insurance payout for cyclone or flood is triggered, a country must submit a FIP describing the activity or activities it will undertake using the ARC Ltd payout.

## II. Objective

4. Even if circumstances within a country make it impossible for ARC Ltd to make a payout to the government, the population of the country, and particularly vulnerable populations impacted by the natural disaster, should still receive the benefits afforded by an ARC Ltd insurance payout. Therefore, an ARC Ltd payout must, to the extent possible, be used to assist vulnerable people.

5. In some cases, it may be possible for the country itself to take actions to remediate the situation that is preventing it from receiving a payout, and the payout may eventually be made directly to the government. In other cases, it may be necessary to redirect the ARC Ltd payout to an implementing partner<sup>4</sup> to assist the same vulnerable populations in the country that the insurance payout was originally intended to help.

## III. Situations That Would Prevent ARC Ltd from Making a Payout to a Government

6. An ARC Ltd payout may not be paid directly to a country (the **Member Country**) when one or more of the following occurs: (a) the Member Country is sanctioned under Article 23.2 of the Constitutive Act of the African Union and/or suspended by the African Union for an unconstitutional change of government (**UCG**)<sup>5</sup> under Article 30; (b) the Member Country is sanctioned under Bermuda law as long as ARC Ltd is operating under its authority; or (c) the Member Country is not able to finalize its FIP in conformity with the standards established by the Agency Board within 6 months. These shall be referred to as **APM Triggers**.

- a. **African Union (AU) Suspension and/or Sanction:** If the African Union takes a decision to sanction a Member Country under Article 23.2 of the Constitutive Act of the African Union and/or to suspend a Member Country from participating in the activities of the African Union because of a UCG, ARC Ltd may not be able to make an insurance payout directly to the sanctioned regime. However, even if a Member Country is under sanction by the African

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<sup>4</sup> The country shall identify a Primary Implementing Partner and may also identify other potential implementing partners in conformity with the Criteria for the Selection of Implementing Partners outlined in the Contingency Planning Standards and Guidelines (CP Standards) established by the Agency Board.

<sup>5</sup> Five main situations are considered as constituting *inter alia* instances of UCG: (i) any putsch or *coup d'Etat* against a democratically elected government; (ii) any intervention by mercenaries to replace a democratically elected government; (iii) any replacement of a democratically elected government by armed dissidents or rebels; (iv) any refusal by an incumbent government to relinquish power to the winning party or candidate after free, fair and regular elections; or (v) any amendment or revision of the constitution or legal instruments, which is an infringement on the principles of democratic change of government. *See*, Article 23 of the African Charter on Democracy, Elections and Governance adopted by the 8<sup>th</sup> ordinary summit of the African Union in January 2007.

Union, the population of the Member Country, and particularly vulnerable populations impacted by the natural disaster, should still receive the benefits afforded by an ARC Ltd insurance payout.

- b. **The Member Country is sanctioned under Bermuda law:** ARC Ltd is regulated under Bermuda law by the Bermuda Monetary Authority (**BMA**). It is, therefore, subject to Bermuda law regarding sanctions as exemplified by the Bermuda International Sanctions Regulations<sup>6</sup> and decisions of the BMA. Currently, Bermuda applies most of the sanction obligations recognized by the United Kingdom, which typically originate with the United Nations Security Council or European Union sanctions regimes. Additionally, ARC Ltd service providers may be subject to other sanctions regimes that may prevent an ARC Ltd insurance payout from being made for practical reasons.
- c. **The Member Country is not able to finalize its FIP in conformity with the standards established by the Agency Board:** The Contingency Planning Standards and Guidelines (**CP Standards**) established by the Agency Board set out specific standards, including timelines for when the Member Country should submit its FIP in order to receive the funds in a timely way. Countries have unlimited opportunities to modify their FIPs and submit them to the Agency Board. Nevertheless, this flexibility should not be exhausted to the point of undermining the principal objective of ARC to provide assistance in a timely, predictable and reliable manner. Accordingly, if a Member Country does not finalize and submit its FIP within 6 months from the date when it should have submitted it, this shall be considered an APM Trigger.

#### **IV. Payout Recipient**

7. If the Member Country is able to resolve the issues that led to the APM Trigger in a timely<sup>7</sup> manner, the payout shall be disbursed directly to the Member Country for use as described in the Member Country's duly-approved FIP.

8. If the Member Country is not able to resolve the issues, the payout shall be made to the Member Country's primary implementing partner. In its Operations Plan, an ARC Member Country must designate one primary implementing partner acceptable to ARC (the **Primary Implementing Partner**) to receive the proceeds of an ARC Ltd insurance payout if an APM Trigger occurs.

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<sup>6</sup><http://www.bermudalaws.bm/Laws/Consolidated%20Laws/International%20Sanctions%20Regulations%202013.pdf>

<sup>7</sup> Timely shall be defined as within 6 weeks, but the PRM may extend additional time as deemed necessary under the circumstances.

9. The Primary Implementing Partner must have the capacity to use the Member Country's insurance payout in a way that is consistent with the Member Country's approved FIP and/or Operations Plan.
10. The Member Country must submit a letter from the Primary Implementing Partner acknowledging its selection by the Member Country as the Primary Implementing Partner and stating that it will implement the insurance payout according to the principles of ARC, if such a situation arises.
11. The Primary Implementing Partner will be identified in the insurance policy as the alternate recipient of the ARC Ltd insurance payout should an APM Trigger occur. The Primary Implementing Partner and the ARC Member Country shall cooperate with ARC Ltd to ensure that ARC Ltd has all of the information necessary in order to include the Primary Implementing Partner in the insurance policy.
12. If the Primary Implementing Partner is unable or unwilling to implement the payout, a Trust Fund shall be established to hold the proceeds of the ARC Ltd insurance payout while the Agency Board identifies other appropriate implementing partners to implement the ARC insurance payout.

#### **V. ARC Agency Response to an APM Trigger**

13. The ARC Agency Secretariat (the **Secretariat**) shall inform the Agency Board and the Board of Directors of ARC Ltd (the **ARC Ltd Board**) if any of the APM Triggers described in Section II occur, or seem likely to occur, in a Class A Member of ARC Ltd. The Secretariat will attempt to inform the Agency Board and the ARC Ltd Board before an insurance payout is triggered so that they will be prepared to take action in case an insurance payout is triggered.
14. The Agency Board shall be responsible for taking timely decisions related to the transfer of ARC Ltd funds if it appears that an APM Trigger has occurred or is likely to occur. The Agency Board may delegate some or all of its decision-making authority to the Peer Review Mechanism of the Board (**PRM**) in order to allow for more rapid responses. The Agency Board shall take its decisions in consultation with the Director General of the ARC Agency (the **Director General**) and the Chief Executive Officer of ARC Ltd (the **CEO**) to ensure that operational concerns are taken into account.
15. When taking decisions after an APM Trigger, the Agency Board may consult with a broad range of stakeholders, as it deems necessary. These may include:
  - a. The Member Country, as appropriate and as circumstances permit;
  - b. Implementing Partners;
  - c. African Union Commission;
  - d. Donors;
  - e. Other Members of ARC Ltd, if relevant and
  - f. Other stakeholders.

## VI. Use of Funds

### *a. Primary Implementing Partner*

16. If the Member Country is unable to resolve the issues that led to an APM Trigger, the ARC Agency shall notify the Primary Implementing Partner identified in the country's Operations Plan, to whom a transfer of the full payout may be made so that it can be used to assist vulnerable populations as quickly and effectively as possible.

17. If the Primary Implementing Partner states that it is willing and able to implement the payout, it shall enter into an agreement with ARC Agency and ARC Ltd (the **Payout Agreement**) regarding the rights and obligations of receiving an ARC Ltd insurance payout.

18. To the extent possible, activities executed by the Primary Implementing Partner will be subject to the same approval, monitoring, evaluation and reporting procedures established by the CP Standards. Monitoring and evaluation reports shall be submitted to the Agency Board and to the Member Country, as appropriate and when circumstances permit.

19. To the extent possible, the Primary Implementing Partner shall develop a work plan (the **Workplan**) following the FIP generic format, for review by the PRM, following the normal FIP approval process as outlined in the CP Standards.

20. Once the Workplan is approved and the Primary Implementing Partner has entered into the Payout Agreement with ARC Agency and ARC Ltd, ARC Ltd shall transfer the monies to the Primary Implementing Partner. The Primary Implementing Partner shall begin its activities as soon as it receives the funds.

21. In circumstances when the Primary Implementing Partner is not willing or does not have the capacity to implement the payout or if the Workplan of the Primary Implementing Partner is rejected by the PRM three times, the PRM shall, without delay, inform the Agency Board. The ARC Agency shall approach the Secondary Implementing Partners identified by the Member Country.

22. The Agency Board shall also establish a Trust Fund to hold the proceeds of the ARC Ltd insurance payout while other implementing partners are identified.

### *b. Establishment of a Trust Fund*

23. As soon as it become certain that the Primary Implementing Partner will not implement the payout for one of the reasons listed above, the Agency Board shall, in consultation with ARC Ltd Board, decide on the establishment of a Trust Fund.

24. Once the Trust Fund is established, all subsequent decisions regarding the Trust Fund shall be taken by the Agency Board. The Trust Fund shall be established at a commercial bank (the **Trust Fund**

**Bank)** which will receive and hold in trust the ARC Ltd payout, in a manner that fulfills all relevant conditions in the insurance contract between ARC Ltd and the Member Country, until such time as the Agency Board decides on a process for further distributing the insurance payout to assist vulnerable populations.

***c. Other Implementing Partners***

25. In circumstances when the Workplan of the Primary Implementing Partner is rejected by the PRM three times, or if the Primary Implementing Partner is not willing or does not have the capacity to implement the payout, the Agency Board shall approach the other Implementing Partners.

26. Other Implementing Partners that are willing to implement part or the full payout shall enter into Payout Agreements with ARC Agency and ARC Ltd regarding the rights and obligations of receiving the ARC Ltd insurance payout.

27. To the extent possible, activities executed by Implementing Partners will be subject to the same approval, monitoring, evaluation and reporting procedures established by the CP Standards. Monitoring and evaluation reports shall be submitted to the Agency Board and to the Member Country, as appropriate and when circumstances permit.

28. Each Implementing Partner shall develop a Workplan following the FIP generic format for review by the PRM and final approval by the Agency Board. The selection of Implementing Partners and the allocation of responsibilities and funds between such partners shall be up to the discretion of the Agency Board.

29. Once the Workplans are approved and the Secondary Implementing Partners have entered into Payout Agreements with ARC Agency and ARC Ltd, the monies shall be transferred to the Secondary Implementing Partners from the Trust Fund, on the instructions of the Agency Board. The Secondary Implementing Partners shall begin their activities as soon as they receive the funds.

**VII. If Funds Cannot Be Used**

30. Although the Agency Board and Secretariat shall use their best efforts to ensure that the ARC Ltd insurance payout is used quickly and effectively to assist vulnerable populations in the Member Country, in rare situations, it may not be possible for funds to be disbursed in a timely manner. This may include situations in which the Member Country government refuses to cooperate with ARC Agency, or with the Implementing Partners.

31. In such a case, the payout will be held in the Trust Fund for the benefit of the population of the Member Country for 18 months from the date on which the insurance payout was triggered (the **Trust Fund Term**). The Agency Board and the Secretariat shall use every effort to find a suitable partner with an adequate Workplan to whom the payout may be transferred to provide assistance to vulnerable populations in the Member Country.

32. If, at the end of the Trust Fund Term, none of the Workplans submitted by implementing partners is approved by Agency Board, the payout shall continue to be held in the Trust Fund as an insurance premium fund (the **Premium Fund**) for the Member Country for an additional 10 years. If the Member Country receives a Certificate of Good Standing and purchases insurance from ARC Ltd within the 10-year period, the Member Country may use the Premium Fund to pay up to 50% of its insurance premiums to ARC Ltd. The Member Country may continue to draw up to 50% of its insurance premiums for each year during the 10-year period, provided there are sufficient funds in the account. After the 10-year period, any remaining funds in the Premium Fund shall be used for the benefit of all Class A Members of ARC Ltd, in accordance with such rules as the Director General, in consultation with the ARC Ltd Board and the Agency Board, shall adopt for the use of such funds.