“At a time when the humanitarian funding gap continues to widen, ARC seeks to contribute to solutions for better allocating international resources in a cost effective and timely manner.”

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

In 2015, the drought in the Sahel triggered $26 million in payouts by ARC Ltd to Mauritania, Niger and Senegal. The countries, which paid a combined premium of $8 million, used the payout to deliver livestock fodder, food and cash to affected populations, based on pre-approved contingency plans. The ARC payout came weeks ahead of the early February 2015 UN appeal for $2 billion to help more than 20 million people across the Sahel belt, where increasingly erratic weather and escalating violence had worsened widespread hunger and malnutrition.

While African states evidently are willing to allocate more domestic resources to disaster funding, with the ARC’s mutual nature and diverse portfolio providing an attractive value proposition, states will continue to need international support until they can fully manage their own risk. These needs will continue to absorb significant international resources through the UN appeals system.

UN agencies and other humanitarian actors should match country insurance policies

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

Principle 1:  
A plan to build government capacities over time

Through insurance and its in-country capacity building programme, ARC Agency provides expertise and incentives for governments to invest in their emergency planning and response capacities. The payment of premiums from the national budget is simply the last step in a process of building both financial and political ownership and accountability. In order properly to align incentives, countries would only be eligible to receive matching insurance after their second year of participation in the ARC insurance system. Humanitarian actors alongside the governments in this process would align otherwise potentially distorted incentives between national financing and programmes and international efforts.

Principle 2:  
Government ownership of the planning and response

In order to be eligible to take out an insurance contract, all participating governments must seek approval for their operations plans from ARC’s Peer Review Mechanism (PRM). While an IO or NGO plan may not go through the full technical process in-country, the plans for use of funds flowing from replica coverage must still be approved by the Government as part of its broader drought-, flood-, or cyclone response plan submitted to ARC to allow replica coverage to be purchased.

For more information, visit africanriskcapacity.org
**Fact Sheet**

**Replica Coverage**

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**Principle 3:**
**Alignment with global policy**

In order to ensure harmonisation with post-2015 global policy (in climate change, humanitarian financing, and disaster risk reduction), the ARC Agency Governing Board will form a high level Consultative Group with the heads of relevant UN and other humanitarian agencies participating in the replica coverage programme.

At a time when the humanitarian funding gap continues to widen, ARC seeks to contribute to solutions for better allocating international resources in a cost effective and timely manner. By building on to ARC’s government-led risk management infrastructure, the stage can be set for the evolution of the traditional appeals-based model for managing predictable natural disaster risks, switching to a largely ex ante system embedded at the sovereign level, thereby freeing up scarce humanitarian funds for complex risks that cannot be easily managed by governments nor financed by insurance-like instruments.

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For more information, visit africanriskcapacity.org

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