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**EXECUTIVE COUNCIL**  
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**ANNUAL REPORT OF THE AFRICAN RISK  
CAPACITY ON ITS ACTIVITIES**

**ANNUAL REPORT OF THE AFRICAN RISK  
CAPACITY ON ITS ACTIVITIES  
(January 2015 – MAY 2016)**

**I. INTRODUCTION**

1. The African Risk Capacity Specialized Agency of the African Union (**ARC Agency**) was established by the Agreement for the Establishment of the African Risk Capacity (ARC) Agency (the **Treaty**) in November 2012, pursuant to a resolution adopted by the Fifth Joint African Union Conference of African Ministers of Economy and Finance and ECA Conference of African Ministers of Finance, Planning and Economic Development (Resolution XVI) and a subsequent decision by the African Union Assembly of Heads of State and Government (Assembly/AU/Dec.417(XIX)) on 16 July 2012. Through these and other decisions, the African Union (**AU**) leadership expressed its desire to develop an African solution to respond to the impacts of extreme weather events by establishing a continental disaster risk financing mechanism.

2. In 2013, ARC Agency caused the establishment of its financial affiliate, the African Risk Capacity Insurance Company Limited (**ARC Ltd**), as a mutual insurance company, pursuant to a decision of the ARC Agency Conference of the Parties (the **CoP**). Together, ARC Agency and ARC Ltd (collectively, **ARC**) offer a package of tools, from early warning to contingency planning to risk financing through insurance, driving a transformation of the disaster risk management paradigm in Africa.

3. In accordance with Article 20.2 of the Treaty, "Relationship with the African Union," the ARC Agency is required to "present a written annual report on its activities to the AU Assembly through the Executive Council." The present report provides an update on ARC's activities for the period January 2015 to May 2016, pursuant to Article 20.2 of the Treaty.

**II. MANDATE**

4. ARC was founded to improve the capacity of AU Member States to manage natural disaster risk, adapt to climate change and protect food insecure populations. It represents a new model of disaster response financing, combining a purpose-built financial entity and an international organization, both formed and managed by AU Member States, to facilitate risk pooling to provide predictable and timely financing when an ARC Member State experiences a natural disaster.

5. ARC works through national governments, embedding its programme within a more comprehensive national risk management framework, and within the broader framework of development. It also focuses on building partnerships within the development community to strengthen services provided to its Member States.

6. ARC supports the African Union Agenda 2063 goal to minimize the vulnerability of people to natural disasters as part of a structural transformation of Africa. ARC also offers a concrete tool which contributes to the goals laid out under Pillar III of the Comprehensive Africa Agriculture Development Programme (**CAADP**), to reduce hunger and improve the response to food emergencies.

### III. OVERVIEW OF ACCOMPLISHMENTS

7. Since its last report, ARC has made remarkable progress towards accomplishing its organizational goals. It has:

- a) Provided drought insurance to 7 countries - **The Gambia, Kenya, Malawi, Mali, Mauritania, Niger and Senegal** - for the 2015/2016 policy year, for a total insurance coverage USD 178 million with corresponding premiums of USD 24.7 million;
- b) Made insurance pay-outs to three ARC Member States – **Mauritania, Niger and Senegal** - totalling over USD 26 million and allowing these governments to deliver timely assistance to 1.3 million people and over half a million livestock;
- c) Made significant progress towards developing new insurance products for:
  - i) tropical cyclones (which will be available in October 2016);
  - ii) flood (which will be available in 2017);
  - iii) climate volatility (in response to a request by the AU Ministers of Finance (Resolution L15/Rev.1.); and
  - iv) Outbreak and Epidemic insurance (in response to the requests of ARC Member States).
- d) Launched Replica Coverage for the 2016/2017 policy year allowing the UN and other humanitarian actors an opportunity to leverage ARC's country built risk management architecture by taking out insurance coverage that replicates the insurance taken out by ARC Member States; and
- e) Elected its first regular-term Director General, Mr. Mohamed Beavogui.

### IV. BACKGROUND AND ORGANIZATION

8. Forty-one countries participated in the ARC Conference of Plenipotentiaries held in Pretoria, South Africa in November 2012, establishing the ARC Agency. Eighteen AU Member States signed the Treaty at the Conference of Plenipotentiaries and fourteen additional States have signed since then. Six of these additional States signed during this reporting period.

**Table 1: ARC Establishment Agreement Signatories**

<u>Original Signatories</u> <u>(23 November 2012)</u>	<u>Additional Signatories</u> <u>(date signed)</u>
1. Burkina Faso	19. Kenya (28 January 2013)
2. Burundi	20. Mauritania (28 January 2013)
3. Central African Republic	21. Côte d'Ivoire (6 February 2013)
4. Chad	22. Comoros (15 February 2013)
5. Republic of Congo	23. Gabon (30 January 2014)
6. Djibouti	24. Madagascar (31 January 2014)
7. The Gambia	25. Benin (27 June 2014)
8. Guinea	26. Nigeria (4 December 2014)
9. Liberia	27. Mali (27 May 2016)
10. Libya (with reservations)	28. Ghana ( 28 January 2016)
11. Malawi	29. Guinea Bissau (29 January 2016)
12. Mozambique	30. Sao Tome & Principe (29 January 2016)
13. Niger	31. Sierra Leone (29 January 2016)
14. Rwanda	32. Zambia (29 January 2016)
15. Saharawi Arab Democratic Republic	
16. Senegal	
17. Togo	
18. Zimbabwe	

**9.** ARC elected its first regular-term Director General, Mr. Mohamed Beavogui, of Guinea, in January 2015 for a 4-year term. Mr. Beavogui has over 25 years of international development experience with a focus on agriculture finance. He previously worked at the United Nations International Fund for Agricultural Development (IFAD) as Director of Partnerships and Resource Mobilisation and Senior Advisor to the IFAD President. He has also worked for the UN Office for Project Services and the Food and Agriculture Organization (FAO). Mr. Beavogui took office on 1 September 2015.

**10.** In January 2016, the CoP reappointed Professor Peter Mwanza to the ARC Agency Governing Board (the Board) for the Southern African Seat for a three-year term and appointed Dr. Andrew Daudi of Malawi as the Alternate Member of the Board for the Southern African Seat for the same term. Dr. Daudi replaced Dr. Desire Sibanda of Zimbabwe. The CoP also appointed Mr. Birama B. Sidibe, of Mali, and Honorable Pa Ousman Jarju, of The Gambia, as Member and Alternate Member of the Board, respectively, for the West African seat for a three-year term. Mr. Sidibe replaced Dr. Jacques Diouf of Senegal, who retired from the Board, and Hon. M. Jarju replaced Hon. M. Mahama Zougrana.

11. Accordingly, the current composition of the Board is as follows:

REGION	NAME		EXPIRY OF TERM
<b>African Union Commission</b> 3-year term	<b>Hon. Dr. Ngozi Okonjo-Iweala (Nigeria – AU Chair Appointee)</b> <i>Former Minister of Finance and Chair of the Global Alliance for Vaccines and Immunization (GAVI)</i>	<b>Primary</b>	December 2016
<b>African Union Commission</b> 3-year term	<b>Mr. Tosi Mpanu-Mpanu (DRC - AU Chair Appointee)</b> <i>Honorary Chair of the UNFCCC African Group of Negotiators and Alternate Board Member of the Green Climate Fund</i>	<b>Primary</b>	December 2016
<b>Central Africa</b> 3-year term	<b>Mr. Ouhoumoudou Mahamadou (Niger)</b> <i>Director of the Office of the President and former Minister of Finance</i>	<b>Primary</b>	December 2017
	Mr. Tinga Ramde (Burkina Faso) <i>Executive Secretary of the National Council for Food Security</i>	Alternate	December 2017
<b>West Africa</b> 3-year term	<b>Mr. Birama B. Sidibe (Mali)</b> <i>Former Vice-President of the Islamic Development Bank</i>	<b>Primary</b>	December 2018
	Hon. Pa Ousman Jarju (The Gambia) <i>Minister of Environment, Climate Change, Forestry, Water and Wildlife</i>	Alternate	December 2018
<b>North Africa</b> 3-year term	<b>Hon. Diombar Thiam (Mauritania)</b> <i>Advisor to the President on Financial and Economic Matters and Former Minister of Finance</i>	<b>Primary</b>	December 2016
	Mr. Bouh Ould Sid' Ahmed (Mauritania) <i>Technical Adviser to the Minister of Finance</i>	Alternate	December 2016
<b>East Africa</b> 3-year term	<b>Hon. Dr. Agnes Kalibata (Rwanda)</b> <i>President of AGRA and Former Minister of Agriculture and Animal Resources</i>	<b>Primary</b>	December 2016
	Mr. Alexis Kanyankole (Rwanda) <i>CEO, Development Bank of Rwanda (BRD)</i>	Alternate	December 2016
<b>Southern Africa</b> 3-year term	<b>Hon. Professor Peter Mwanza (Malawi)</b> <i>Former Minister of Agriculture and Food Security</i>	<b>Primary</b>	December 2018
	Dr. Andrew Daudi (Malawi) <i>Former Principal Secretary for the Ministry of Agriculture and Food Security</i>	Alternate	December 2018
<b>ARC</b>	<b>Mr. Mohamed Beavogui</b> <i>Director General</i>	<b>Primary</b> (Non-voting)	Ex Officio Member

12. During the reporting period, the Board and the CoP each met twice. The Board met to give direction to the Secretariat and take the steps necessary to put the policy decisions of the CoP into practice. The CoP met to allow the Member States to review the ARC's current program of work, identify priorities for future work, and take key decisions as indicated by the Board.

13. Nineteen countries participated in the third session of the CoP which was held in January 2015 and nineteen ARC Member States also participated in the fourth session of the CoP, which was held in January 2016. In addition to the ARC Member

States, 1 non-member AU Member State attended the fourth session of the CoP as an observer. The high rates of attendance at sessions of the CoP show a very high level of engagement and commitment from Members. During the sessions of the CoP, representatives from these Member States were active participants and engaged in decision making on key issues and dialogue on ARC's operations and programme of work. Countries also engaged in peer-to-peer learning by presenting their experiences to one another during the meeting. At both the third and fourth sessions of the CoP, Mauritania, Niger and Senegal made presentations regarding their operations planning and Final Implementation Plan (**FIP**) processes, which were very well received by the other Members.

## V. ACTIVITIES

14. During the reporting period, ARC developed its Agenda for Action which outlines the strategic growth plan that will allow ARC to insure 150 million people in Africa by 2020 with US \$1.5 billion in coverage across 30 countries, and to channel a further US \$500 million in climate adaptation financing.

### A. Research and Development

15. *Africa RiskView* is the technical engine of the ARC risk pool, underpins ARC Ltd's insurance policies and is the core risk management product of the ARC Agency. To date *Africa RiskView* has focused on drought. Between January 2015 and May 2016, ARC has continued to upgrade and improve *Africa RiskView* and to make improvements to the back-end infrastructure, usability and visualization aspects of the *Africa RiskView* software in response to the needs identified during the customization of Pool 1 and Pool 2 countries. ARC is about to launch a new, more secure technical licensing system that will allow ARC to more easily track and monitor the use of ARV by licensees. Building on the success of the drought model, and in response to a demand from ARC Member States, ARC is working to develop additional *Africa RiskView* modules for floods and tropical cyclones.

16. ARC is working with a well-respected modelling firm, Atmospheric and Environmental Research (AER) to create the first flood model of its kind in the world. This model is currently being finalized with the aim of being able to offer flood coverage through ARC Ltd to ARC Member States in time for the fourth (2017/2018) insurance pool. AER has a proven track record of developing similar models and has proved to be technically competent and highly innovative in working to design the most appropriate product for ARC Member States. Its approach is to use a microwave data to model historical flood losses across the continent. At the conclusion of the modelling process, AER will provide a 30 year daily data set for the continent which depicts historical flood losses. ARC's technical approach used for drought will then be used to underwrite payouts for flood insurance contracts.

17. ARC began working towards developing a tropical cyclone product at the beginning of June 2015. Kinetic Analysis Corporation (KAC) which is providing the modelling, has a demonstrated track record of natural catastrophe modelling for parametric insurance products, and is highly trusted both by sovereign clients and by the global reinsurance markets. The model covers the impact of wind and ocean

hazards (storm surge and waves) from all tropical cyclones active in South West Indian Ocean. The product does not cover rain, so the flood product will also be required for those countries which have flood hazards related to heavy rainfall linked to tropical cyclones. The tropical cyclone modelling was completed successfully by the end of 2015 and ARC Member States have been engaged in reviewing the modelling and developing contingency plans with the objective of entering into tropical cyclone insurance policies in the third quarter of 2016.

**18.** Since early 2015, ARC has been working to develop the Replica Coverage pilot. ARC will begin to offer Replica Coverage to UN Agencies and other humanitarian actors (including NGOs / Civil Society) as part of its 2016/2017 insurance pool. Replica Coverage will allow humanitarian actors to leverage ARC's country-led risk management architecture to scale up coverage and boost timely responses, doubling the number of people covered by climate risk insurance. Countries lacking financial and operational capacity to expand their insurance coverage beyond what they purchased would benefit from humanitarian actors' ability to provide both increased insurance-based funding and scaled, coordinated and timely operational execution.

**19.** ARC has been working towards the development of an outbreak and epidemic (O&E) insurance product, in response to its Member State demand in the aftermath of the Ebola epidemic. Similar to the current insurance products offered by ARC, the O&E insurance product, which will be developed initially for several pathogen families, will be based on objective and transparent triggers and, on outbreaks, payouts will be linked to well-defined contingency plans targeted to contain the pathogen's spread. During the reporting period, ARC engaged in consultations with leading virologists, the AU Commission and relevant international organizations, and ascertained that the data and financial tools are indeed sufficient to begin development of a model, with a view to offering a product by 2017 to AU Member States. Based on these findings, ARC has developed an initial research work plan for the development of the O&E product and mobilized resources in support of this research.

**20.** In March 2014, the ARC Agency was requested by the AU Conference of Ministers of Finance to develop a proposal for a mechanism by which African states could gain access to financing to respond to the impacts of increased climate volatility (Resolution L15/Rev.1). ARC has been working to respond to the request during the reporting period. Climate change, particularly an increase in extreme events and/or their intensity, threatens ARC's value proposition and the sustainability of the risk management infrastructure African countries are building, by potentially increasing the premiums countries will need to pay for the same coverage. To protect against these climate change related costs, ARC's Research and Development team is working to design the Extreme Climate Facility (XCF) to closely track extreme weather events and, in the event that weather shocks such as extreme heat, droughts, floods or cyclones increase in occurrence and intensity across the continent, to trigger funding to countries already managing their weather risk through ARC Ltd. The funds would be used to boost climate adaptation measures targeted to increase national resilience to future weather shocks, thereby reducing the volatility on premium pricing. XCF payouts would be a powerful signalling tool that enhanced

implementation efforts are required, helping to geographically target and prioritise funding flows. With Africa leading the way in innovative climate finance, XCF aims to secure up to US \$500 million of initial climate adaptation capital from the private markets for ARC Member States in 2017.

## B. Strengthening Disaster Risk Management on the Continent

**21.** The foundation of ARC's work and a key strategic focus of ARC's activities is capacity building, both to ensure understanding of disaster risk insurance by governments and to support the development of their operational capacity to transform the risk financing paradigm into a more proactive one, using ARC and other risk financing tools, in support of greater country resilience.

**22.** ARC's Contingency Planning Standards and Guidelines (**CP Standards**) provide a strong foundation for ensuring ARC's early financing is channelled to the affected populations in a timely and effective manner to protect livelihoods. Since ARC's last report, ARC has continued to refine the CP Standards by engaging an independent organization to develop a monitoring and evaluation system for ARC payouts, hiring a firm to implement a final process audit design in 2015, and initiating the process of hiring additional contingency planning, and monitoring and evaluation staff.

**23.** In May 2014, ARC Ltd issued drought insurance policies to its first group of African governments – Kenya, Mauritania, Niger and Senegal – marking the launch of the inaugural ARC pool. Due to a poor rainfall season in the Sahel during the 2014/ 2015 season, three of these countries received payouts from ARC Ltd in 2015 to be used for the implementation of pre-approved contingency plans designed to reach those most in need. Payouts were made to: Niger: US \$3.5 million; Mauritania: US \$6.3 million; and Senegal: US \$16.5 million. ARC payout-funded activities were implemented before the UN appeal for the Sahel, which was launched after the payouts in the second week of February 2015, was even 50% funded.

**24.** Countries undertook the following drought response activities with funds received from ARC insurance payouts:

COUNTRY	PAYOUT (approx.)	ACTIVITIES	BENEFICIARIES
Senegal	\$16,500,000	1) Targeted Food Distribution 2) Subsidized sales of livestock fodder	750 000 people 70,000 people (570,459 animals)
Niger	\$3,500,000	1) Cash for Work 2) Targeted Food Distribution	114,950 people 42,000 people
Mauritania	\$6,300,000	Targeted Food Distribution	250,000 people
<b>TOTAL</b>	<b>\$26,300,000</b>		<b>1 226 950 people</b>

**25.** In 2016, an independent audit firm engaged by ARC completed process audits of the payouts in Mauritania, Niger and Senegal. The lessons learned from these audits will be incorporated into ARC activities and strategies in the future. Financial



audits of each payout are also being conducted by an independent accounting firm and should be completed in mid-2016.

**26.** In its second year of implementation ARC offered drought insurance to 7 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.

**27.** In the 2016/2017 insurance policy year, ARC will be providing insurance to 10-12 countries and will add insurance coverage for tropical cyclones. ARC will also launch Replica Coverage in the 2016/2017 policy year allowing the UN and other humanitarian actors an opportunity to access insurance coverage from the ARC Ltd that replicates the policies taken out by ARC Member States.

### **C. Increased Scalability and Sustainability**

**28.** In the period from January 2015 to May 2016, ARC worked to increase its visibility to African Union States that are not ARC members with the intention of expanding the membership of ARC through increased engagement directly with countries and by participation in continental fora. Between January 2015 and May 2016, 6 additional countries signed the ARC Treaty, with 5 countries signing during the January 2016 AU Assembly meetings. ARC will continue its dialogue with non-member African Union States, which will in turn, strengthen its continental leadership role on disaster risk management and financing, and strengthen ARC's position as the representative body of African countries both within Africa and globally.

**29.** In parallel, ARC has been providing 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 (Report of the Fourth Session of the Conference of the Parties of the African Risk Capacity (ARC) Agency, paragraph 18 (k)).

**30.** In November 2015, ARC participated in the UN Framework Convention on Climate Change (UNFCCC) Conference of the Parties in Paris, France (COP21) during which parties reached an historic international agreement with obligations for all parties. The outcomes of the agreement focus on mitigation, adaptation and a formal recognition of a third pillar of climate policy, "loss and damage", referencing the Warsaw International Mechanism for Loss and Damage, established in 2013 at COP19. Loss and damage denotes impacts of climate-related stressors that occur despite efforts to reduce greenhouse gas emissions and adapt to climatic changes. Insurance was identified as an essential tool to address some of the loss and damage incurred as a result of climate change. ARC's unique position as a Member State led public/private financing initiative that provides timely, targeted financial risk management buffer against adverse climate impacts was recognised at the global level as was its key role in realising some of the objectives enshrined in the COP21 Agreement.

**31.** Throughout the reporting period, ARC also actively participated in a number of key meetings towards the development of the Sendai Framework for Action which is the successor instrument to the Hyogo Framework for Action (HFA) 2005-2015: Building the Resilience of Nations and Communities to Disasters. The eventual text from Sendai highlighted the critical role of risk transfer and sharing mechanisms such as ARC with *Priority 3: Investing in disaster risk reduction for resilience*, which indicated that at the national and local levels, it is important to promote mechanisms for disaster risk transfer and insurance, risk sharing and retention and financial protection, as appropriate, for both public and private investment in order to reduce the financial impact of disasters on governments and societies, in urban and rural areas. And at the Global and regional levels, the framework endorsed the promotion, development and strengthening of disaster risk transfer and sharing mechanisms, and instruments in close cooperation with partners in the international community, business, international financial institutions and other relevant stakeholders.

**32.** In 2015, the ARC renegotiated its Administrative Services Agreement (the **ASA**) with the UN World Food Programme (WFP), through which WFP provides administrative and project management services to ARC Agency in exchange for a fee. The new ASA, signed on June 3, 2015, covers the work of the ARC Agency until August 31, 2019. In 2015 and 2016, ARC also began developing its plan for achieving full independence, with the goal of reducing its reliance on administrative services provided by an outside entity as soon as possible.

#### **D. Cross Cutting Components**

**33.** Closing the gender gap is central to achieving the Sustainable Development Goals adopted by the UN, and, in the context of ARC, recognising the important role of women in agriculture and in disaster response is essential for food security and economic growth. During the reporting period, the Contingency Planning work stream was modified to integrate gender sensitive targeting of beneficiaries and reporting on this through its monitoring and evaluation structures. ARC considers the promotion of women's empowerment and gender equality both in field operations and at the professional level an important factor in creating long term impacts and sustainability. Accordingly, ARC will continue to vigorously pursue efforts to ensure that both the operational responses of ARC and the capacity building work of ARC have a differentiated approach to gender. ARC will systematically build a gender perspective into its operations and policies - including human resource policies, and monitoring and evaluation policies. ARC will utilise benchmarks set by leading gender-focused organisations and strive to establish a methodology that ensures that gender balanced approaches can be mainstreamed across all ARC work streams and activities. Within the ARC Agency Secretariat, there is a strong commitment to the promotion of women and gender equality. The majority of the ARC Agency management team are women, and the operations, policy, and research and development teams within the ARC Agency Secretariat are led by women.

**34.** ARC will also integrate youth development across the African continent, by working with universities to develop research projects that advance the objectives of the ARC, while also developing the next generation of African risk managers and

analysts. ARC has also committed itself to providing internship opportunities for African youth.

**35.** During the reporting period, ARC has pursued key partnerships, including with the World Bank, African Development Bank, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Conférence Interafricaine des Marchés d'Assurances (CIMA), and with continental and regional research institutions, in order to advance its research and develop applicable tools for Member States. ARC has also been active in continental and regional technical working groups such as the Food Security and Nutrition Working Group (FSNWG) for Southern Africa. Through this work, ARC seeks to establish strong technical partnerships and collaborations to facilitate dialogue and linkages with national and regional institutions across the African continent and to introduce risk management thinking into shared research agendas. There are numerous national and regional research institutions across the continent undertaking research in the thematic areas of ARC. Integrating these institutions in the work of ARC will be critical in transforming disaster risk understanding and management and to increasing ARC's value as a practical risk management tool for the continent. To date Regional Economic Communities and local early warning and research organisations across the continent have been participating in ARC's processes and dialogue; this has allowed ARC to cross reference its early warning tools, and ensure that it is technically sound. The ARC will also be actively looking to enhance and strengthen collaboration with other African Union organisations such as the New Partnership for Africa's Development (NEPAD) and its associated Comprehensive Africa Agriculture Development Programme (CAADP) framework.

## **VI. Challenges Faced by ARC**

**36.** ARC Agency was founded in 2012 as the specialized agency of the AU responsible for helping AU Member States to better prepare for and respond to natural disasters, pursuant to a Treaty signed by 32 AU Member States, and in accordance with the Constitutive Act of the AU. To better fulfil its mandate, ARC should be better integrated into the work of the AU and its organs relating to natural disasters, food insecurity and innovative finance. This calls for ARC to be fully involved in initiatives and work streams relating to its mandate when they are put forward by other AU bodies. The objective being to avoid overlapping efforts by AU organs and to achieve greater coordination that serves the best interests of the continent.

**37.** Although ARC Member States have taken decisions encouraging ratification of the Treaty at the third and fourth sessions of the CoP, no ARC Member State has completed the ratification process by depositing an instrument of ratification with African Union Commission. This poses a significant challenge to ARC Agency. The Treaty is currently in force provisionally and will not come into force definitively until 10 instruments of ratification have been deposited with the African Union Commission. Consequently, ARC Agency cannot select a permanent headquarters or assess membership fees because the Treaty requires 10 ratifications before such decisions can be taken.

**38.** ARC also faces resource challenges. ARC intends to reach as many as 30 countries by 2020 with USD 1.5 billion of coverage against drought, flood and cyclones, indirectly insuring around 150 million Africans. Demand for risk transfer products from ARC has gained significant momentum, but the ARC capacity building programme is extremely resource intensive and, historically, the limitation on countries beginning the capacity building programme has been ARC Agency's lack of sufficient resources. The cost of adding each additional country to the pool is significant, and demands on ARC Secretariat resources will increase as the capacity building programme expands to cover tropical cyclone and flood events in anticipation of the introduction of these insurance products in 2016 and 2017, respectively.

## **VII. Recommendations by ARC**

**39.** In order to enhance the work and activities of ARC, and to facilitate achieving its mandate of helping AU Member States to better prepare for and respond to natural disasters, ARC exhorts the Executive Council to endorse the following recommendations:

- a) To emphasize the important mandate of ARC Agency, the African Union specialized agency founded to improve the capacity of AU Member States to manage natural disaster risk, adapt to climate change and protect food insecure populations;
- b) To urge ARC Agency Member States to ratify the Treaty and deposit their instruments of ratification with the African Union Commission;
- c) To further urge Member States of the African Union that have not yet signed the Treaty to become members of the ARC Agency so that they may take advantage of the benefits of ARC membership, including access to services to help better prepare for and respond to natural disasters, and to address climate change;
- d) To encourage AU Member States, organs of the AU and other continental bodies to extend necessary support to and work with ARC to improve responses to natural disasters on the continent, and, in particular to involve ARC in discussions, events and decisions relating to natural disaster risk, climate change and innovative finance;
- e) To request development finance institutions and partners to support this critical contribution to the continent's disaster risk management and climate change adaptation infrastructure, and to channel their support to risk management in Africa through ARC, an existing African-led institution.

2016

# Annual report of the African risk capacity on its activities

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