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**ACTIVITY REPORT OF THE AFRICAN RISK CAPACITY AGENCY**  
**(ARC)**



**Annual Report on the Activities of the African Risk Capacity Group  
to the 35<sup>th</sup> Ordinary Session of the Assembly of the African Union  
and preceding PRC and Executive Council Sessions in  
January/February 2022**

***Reporting period January 2021 – December 2021***

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## **Introduction**

This Annual Activity report provides an update on the activities undertaken by African Risk Capacity (ARC) Group for the reporting period, January to December 2021. It is submitted in preparation for the 35<sup>th</sup> Ordinary Session of the African Union (AU) Assembly of the Union and preceding Council sessions as part of the reporting requirements for AU agencies.

The report gives a summary and background description of ARC, its organisational and governance structures, mandate and strategic direction that guides the organisation. In addition to key milestones achieved during the period under review, it highlights the challenges faced and outlines recommendations on the way forward.

## **1. ARC Background**

### **1.1 Establishment and structure**

The ARC Group is comprised of ARC Agency, a Specialised Agency of the African Union (AU) and ARC Ltd (ARC Ltd), the insurance affiliate of the Group. Founded in 2012<sup>1</sup> under the Agreement for the Establishment of the ARC Agency (ARC Treaty), ARC Agency is a Specialised Agency of the African Union (AU) mandated to assist AU Member States improve their capacities to plan, prepare for and respond to extreme weather events towards improving food security and protecting lives and livelihoods of vulnerable populations. In 2015<sup>2</sup>, ARC was requested by the Executive Council at the recommendation of the Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration (EX.CL/Dec. 876 (XXVII, paragraph 16), to include the development of an Outbreak and Epidemic (O&E) insurance product, and tools to enable African governments to respond to disease outbreaks. ARC Ltd provides complementary commercial insurance services. Together, the two entities form the ARC Group, providing Member States with capacity building services and access to early warning and contingency planning tools, as well as risk pooling and risk transfer facilities in order to build resilience against natural disaster risks.

### **1.2 The ARC Group Strategy**

In delivering on its mandate, ARC is guided by three strategic objectives designed to enable innovation, strengthen partnerships and improve resilience. These objectives

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<sup>1</sup> AU Assembly Decision (Assembly/AU/Dec.417(XIX)), Assembly decision to establish ARC

<sup>2</sup> Resolution L 9:2 of the report of the First Joint Session of The AU Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration and ECA Conference of African Ministers of Finance, Planning and Economic Development, Addis Ababa, Ethiopia, 25-31 March 2015

guide ARC in its efforts to create an enabling environment, provide a diverse and robust solutions for the continent, strengthen its role in the DRM space at policy and continental level, and be a partner-of-choice in this space. The three strategic objectives are defined as follows:

**Strategic Objective I: Innovate** – A dynamic approach to research and development: Develop innovative solutions enabled by research and development with the objective of cost reduction, increased reliability and greater credibility for ARC.

**Strategic Objective II: Strengthen** - Strengthen Disaster Risk Management (DRM) on the continent: Through improved early-warning systems, streamlined country engagement and capacity building.

**Strategic Objective III: Grow** – Increase scalability and sustainability of ARC operations and insurance coverage: Pursue growth on the continent.

## **2. Update on 2021 Results on Key Initiatives**

Now more than ever, as climate-change induced extreme weather events intensify, compounded by the increased occurrence of disease outbreaks, particularly in a COVID-19 pandemic era, there is an urgent need to adopt a proactive approach to Disaster Risk Management (DRM). African countries need to build and strengthen their resilience against these threats in order to protect the lives and livelihoods of their most vulnerable populations, protect development gains already made and improve food security across the continent. Most African countries face multiple natural disaster risks whose impact, combined with the coronavirus threat, can be devastating. This makes a strong case for the ARC mechanism that is designed to equip countries in response, and the need for a collaborative effort to find a robust African solution to these challenges.

### **2.1 Strengthened governance and management platforms**

As a Specialised organ of the AU, ARC is committed to ensuring that the governance of the organisation complies with the standards of its founding body. In August 2016, the Group initiated a Governance Reform process to create a unified organisational and governance structure to steer operations towards increased operational, administrative and service efficiency, as well as strengthen collaboration and alignment within the Group in order to better serve the interests of Member States.

The Governance Reform has multiple key milestones planned, and some of these have already been achieved, including the formalisation of the ARC Group structure which required the appointment of a Group Director General to lead the Group, introduced a Group strategy that shows a joint and collaborative effort, and annual Group reporting that is reflective of the strategy. Further, significant effort has been invested towards preparatory work for organisational design and structural reforms that are scheduled to start in early 2022. This work will focus on redefining roles

within the organisation to ensure that the organisation is well-resourced internally to carry out the ARC mandate efficiently.

In 2021, the management team, under the guidance of the newly appointed Group Director General (appointed September 2020) used the period to solidify working relationships with the ARC staff; operationalise the ARC Group Strategy 2020 – 2024 - refreshed at the end of 2020 following significant changes in the operating environment; cement relationships with key stakeholder groups; and to position the organisation within the broader Disaster Risk Management and Financing (DRMF) framework. In line with the requirements of organisation's Governance Reform process, a new ARC Group Board was also established and appointed on 30 June 2021 by the ARC Conference of the Parties towards ensuring strengthened governance structures that will deliver on expectations from Member States. The three Board committees, the Finance and Audit, Peer Review Mechanism (for reviewing Operations and Final Implementation Plans) and the Strategy and Oversight Committees, were also finalised and will support the Board's work going forward. Finally, work towards enabling joint reporting and operationalising the Group dashboard with shared Key Performance Indicators progressed and led to a greater understanding of roles and responsibilities, and to more seamless collaboration across the organisation.

As a Specialised Agency of the AU established by Treaty, Member States have an important decision-making role in shaping the direction of the organisation through the Conference of the Parties. In April 2021, ARC welcomed Somalia becoming the 35<sup>th</sup> member state to sign the ARC establishment Treaty, a milestone that confirms the validity of the ARC mechanism as a viable solution for the continent. This gives the country decision making powers on strategic decisions made within ARC. However, it should be noted that the countries that have ratified the ARC Treaty remains low as only 10 countries have done so.

## **2.2 Implementation of the refreshed ARC Group Strategy**

The refreshing of the ARC Group Strategy 2020 – 2024 also presented an opportunity for the new ARC leadership to shape the direction of the organisation to ensure that this strategy was still adequate to meet the needs of Member States. This critical review of the ARC offering led to the enhancement of existing initiatives and the addition of new ones to strengthen service to the continent. 2021 was therefore the first year of operationalising this plan, with efforts directed towards ensuring the sustainability of the organisation through (i) a diversified and innovative ARC product and services offering to cater for the needs of Member States, (ii) a focus on increased and sustained pool participation (iii) strengthened resource mobilisation effort, (iv) a demand-driven partnerships strategy to deliver on the ARC mandate, (v) focused and segmented advocacy and engagement efforts to optimally position the organisation, (vi) deliberate knowledge management to influence the DRM space, (vi) a solid communications strategy to tell the ARC story and (vii) a strong gender focus to ensure gender mainstreaming throughout the ARC programme, and to uphold and influence gender equality principles throughout the DRMF space.

These defining initiatives and milestones achieved on each are expanded on below:

### 2.2.1 Product diversification

To strengthen Africa's resilience to natural disasters, ARC's objective is to offer diverse solutions to cater for the multiple natural disaster perils that Member States face owing to differing climatic conditions across the continent. To this end, the diversification and strengthening of the ARC product portfolio is an important driver in delivering value to Member States. The organisation's Research and Development function is responsible for this and drives the Group's Strategic Objective 1 – Innovation. Its sole responsibility is to ensure that the ARC offering to Member States meets world class standards and responds to their needs. During the reporting period, efforts were directed towards advancing the development of new risk transfer products to complement the existing Drought and Tropical Cyclone products as follows:

#### **The introduction of the Rangeland Drought product**

In 2021, ARC introduced the Rangeland Drought model to expand on and complement the existing Crop Drought product that has been on the market since 2014. The Rangeland product seeks to protect Member States against the severe impact of drought on rangeland ecosystems that impacts grasslands and pastoral areas for livestock. This solution responds to the needs of those communities that depend on these areas and on livestock for their survival. The introduction of this product was a welcome addition to the ARC offering, particularly for countries in East Africa and the Sahel, regions where livestock herding is the principal livelihood for over 40 million people and represents up to 60 percent of the agricultural Gross Domestic Product (GDP). Mauritania and Sudan were the first to sign up for the Rangeland Drought insurance.

#### **Preparing for the introduction of the Outbreaks and Epidemics product in 2022**

In light of the increasing threats from disease outbreaks, there is need to develop a solution to manage this peril. The COVID-19 pandemic has revealed African countries' vulnerabilities and stressed the need to strengthen country capacities to respond to disease outbreaks. During the reporting period, with launch planned for 2022, extensive effort was directed towards accelerating and completing the development of ARC's Outbreaks and Epidemics (O&E) solution. This product is designed to strengthen AU Member States' preparedness and response capacities to high-impact infections and disease outbreaks through the provision of epidemic risk management tools and innovative ex ante risk finance instruments. It will cover an initial four diseases of epidemic potential - Ebola Virus Disease, Marburg Virus Disease, Lassa fever, and Meningococcal meningitis. The reporting period has been particularly critical for positioning the O&E product within the organisation and on the market. In addition to completing the staffing requirements for the O&E programme, workstreams also focused on engaging potential technical and development partners that will help move the product forward in preparation for launch. This engagement included potential funders to provide premiums for African countries and cover operational costs for the and enable continuous product improvement.

### **Micro and Meso insurance**

In 2020, ARC initiated its non-sovereign business by introducing a pilot Meso and Micro insurance as part of diversifying the offering to the continent and is designed to support endogenous micro and meso agricultural insurance markets, and to encourage governments and insurance companies to generate capacity for farmers' protection, resilience, and financial growth. This product complements sovereign insurance policies by covering protection gaps that result from limited premium affordability. In 2021, efforts were directed towards engaging the market (the agricultural sector, insurance markets and governments), capacity building work and product development work.

### **The development of the Flood and XCF products**

ARC is also in the process of developing a Flood product which will mostly target West African countries that are prone to this peril. Research and development work on the product continued with the design of an alternative model to address challenges identified in the original one. Notable milestones were reached during the reporting period when agreements with technical partners that will render their expertise to ensure that the product meets the needs of the continent and is of world class standard. Workstreams gained momentum and this is expected to continue in 2022.

### **Improvement of existing products**

To ensure products perform to required standards, continuous improvement work is always prioritised. Work to improve the Drought and Tropical Cyclone insurance products was initiated, with efforts directed towards ensuring the accuracy, reliability and user-friendliness of *Africa RiskView*, ARC's forecasting tool.

### **2.2.2 Pool participation**

The sustainability of the ARC Group is a key consideration for the organisation and is driven from all angles of the organisation. Pool growth, which is a critical part of sustainability, is a result of the country engagement and technical pool preparation work that is done with the countries and is a key measure of the success of the ARC programme. It is also a strong determinant of the organisation's sustainability. Much effort is therefore directed towards engaging Member States and encouraging their participation in ARC risk pools as part of building the continent's resilience. Despite the fiscal challenges facing the continent, there was a notable growth in pool participation, all thanks to engagements efforts that highlighted the importance of insurance, as well as the ongoing support of donor partners that have come on board to provide premium support.

In 2021, after completion of technical work for Pool VIII, a total of 11 countries participated in the risk pool with a total of 23 policies and insurance coverage of USD \$182 million to cover just over 18 million people. Policies were taken out by governments, as well as humanitarian actors through the Replica and ADRiFi programmes as detailed in the table below:

**Table 1: Pool VIII policy uptake by region**

Country	Policies
The Gambia	<ul style="list-style-type: none"> <li>• 1 Sovereign policy (Drought)-ADRFi (50%)</li> <li>• 1 Replica policy taken by WFP (Drought)</li> </ul>
Mali	<ul style="list-style-type: none"> <li>• 1 Replica policy taken by WFP (Drought)</li> </ul>
Ivory Coast	<ul style="list-style-type: none"> <li>• 2 Sovereign policies (Drought)</li> </ul>
Burkina Faso	<ul style="list-style-type: none"> <li>• 1 Replica policy taken by WFP (Drought)</li> </ul>
Niger	<ul style="list-style-type: none"> <li>• 1 Policy to be paid in full by AfDB (Drought) - ADRFi (100%)</li> </ul>
Togo	<ul style="list-style-type: none"> <li>• 2 Sovereign policies (Drought)</li> </ul>
Mauritania	<ul style="list-style-type: none"> <li>• 2 Sovereign policies (Drought)-ADRFi (50%)</li> <li>• 2 Replica policies taken by WFP (drought)</li> </ul>
Madagascar	<ul style="list-style-type: none"> <li>• 2 Sovereign policies (Drought and Tropical Cyclone)</li> </ul>
Malawi	<ul style="list-style-type: none"> <li>• 4 Sovereign policies (Drought)</li> </ul>
Zambia	<ul style="list-style-type: none"> <li>• 1 Sovereign policy (Drought)</li> </ul>
Zimbabwe	<ul style="list-style-type: none"> <li>• 1 Sovereign policy (Drought)</li> <li>• 2 Replica policies taken by WFP (Drought)</li> </ul>

### 2.2.3 Fundraising efforts

To ensure the success of the organisation, ARC acknowledges the urgent need to increase the organisation's capacity to fundraise and secure sustainable sources of funding from alternative and diverse sources to enable the implementation of the ARC Group strategy. Further, with most African countries facing fiscal challenges that have been compounded by the onset of the coronavirus, premium support to enable participation in risk pools is essential. ARC offers insurance which transfers the burden of climate risk away from governments and vulnerable communities, and avails early financing immediately towards disaster response in the case of extreme weather shocks. Fundraising was therefore a key focus for the reporting period.

In 2021, a Senior Fundraising Advisor was recruited and is in the process of developing the Group's Fundraising Strategy which will (i) have a concrete action plan based on identified funding needs; (ii) identify potential Donor Partners through a comprehensive donor and investor mapping exercise; and (iii) have a credible monitoring and evaluation system. This strategy will guide all efforts going forward.

During the reporting period, the mobilisation of premium support yielded some great success. The German Government announced a €18 million Premium Support Facility that qualifying African Governments can access. It further committed another €11 valid from 2023 to 2029 for the same purposes. In addition to enabling participation in risk pools, this is also designed to encourage Africa countries and

other humanitarian actors to build a DRMF culture by increasing their self-funding premiums portion over time. The Swiss Development Cooperation also came on board and approved a funding proposal for USD \$14 million to support Zambia and Zimbabwe with capacity building work and premiums until 2030. The European Union Commission also provided € 9 million in funding under the 11<sup>th</sup> European Development Fund for Disaster Risk Reduction. This funding will be directed towards: (i) improving access to post-disaster financial instruments; and (ii) enhancing the post-disaster operational capacity of African countries. Discussions were also initiated with other potential funders such as the Gates Foundation to fund capacity building efforts for ECOWAS countries for the Outbreaks and Epidemics solution, as well as with the Canadian Government to further support ARC's work on the continent. As negotiations continue, a proactive approach to fundraising will be used to target immediate and tangible opportunities and build on the achievements made in 2021.

Despite these efforts, there is still a considerable gap in funding required to deliver on the ARC Group Strategy and its vision and ambitions for the continent which the long-term funding strategy is seeking to address. Furthermore, ARC Agency's budget has exclusively been funded by Donor Partners. Following the definitive entry into force of the Treaty, the CoP has requested the ARC Secretariat to explore options on the payment of membership fees/contributions by countries.

#### **2.2.4 Strengthened advocacy and engagement**

With the ARC mandate aligned to various global and continental frameworks, all work from the programme serves to fulfil objectives drawn from the guiding frameworks such as the African Union Agenda 2063, the Sustainable Development Goals, the Paris Agreement on Climate Change and the Sendai Framework for Disaster Risk Reduction 2015-2030. ARC recognises the importance of a coordinated effort with authorities and other stakeholders in this space in tackling the enormity of the work at hand towards fulfilling continental DRM objectives. Advocacy and engagement are therefore key to driving the programme forward and finding opportunities for collaboration. Success on this front should ultimately lead to the attainment of broad objectives such as the Sustainable Development Goals towards no poverty; zero hunger; decent work and economic growth; climate action; gender equality, life on land; and partnerships for the goals.

In 2021, guided by the Group's new country engagement framework that drives for a global approach to country engagement, ARC continued to cement relationships with Member States, regional and continental authorities, and other players in the DRMF environment in an effort to position the ARC programme as a viable solution against weather-related disasters and disease outbreaks for the continent. Led by the ARC Executive team, engagement at all levels included talks at the highest political and executive levels; with other decision-making bodies; and with development and Donor Partners in this space. As much as possible, this included tours around the world and to African countries, and was supported by virtual meetings in instances.

Operating on a continent that is disproportionately affected by climate change, occasions such as the Climate Change Summit (COP 26) were opportunities to present the Africa case and to lobby for support for an African Premium Support Facility to facilitate response efforts. The organisation also sought opportunities to encourage collaboration with Donor Partners and other stakeholders to ensure maximum impact on the continent's DRM efforts. The West Africa tour and visits to Malawi, Kenya, Sudan and other countries also served to align purpose, present the ARC offering and strengthen relationships. The ultimate goal was to ensure an appreciation of DRMF in Africa and to influence the operating environment towards a robust response to the challenges at hand. Much work was also directed towards strengthening collaboration with Regional Economic Communities, in particular (ECOWAS, SADC and IGAD).

### **2.2.5 The development of smart partnerships**

The development of smart, well-considered partnerships is integral to the delivery of the ARC mandate, essential in offering notable value to Member States. The organisation acknowledges that with all our strengths pooled, we can shape and influence the DRM environment with great impact. As such, identifying the right partners to complement the resources within ARC is essential. A deliberated approach is taken to engage players in the DRMF space to find areas of potential collaboration with technical and financial partners, and once an agreement is reached, the work is guided by a Memorandums of Understanding with each partner towards supporting the organisation's strategy.

In 2021, engagements were initiated with a number of notable players in the DRMF ecosystem as part of ARC's vision to create maximum impact in this space. The organisation is still in talks with a number of noteworthy potential partners, and strategic partnerships were cemented with:

- **United Nations Office for the Coordination of Humanitarian Affairs (OCHA):** This partnership aims to generate the proof of concept of anticipatory insurance and demonstrate its added value, with the intention to help influence the DRF system in support of replicability, and the scale-up of anticipatory approaches. This will be done by developing, testing and piloting three anticipatory insurance products. This work was initiated in 2021 and is expected to be completed in 2022;
- **UN Women:** ARC and UN Women collaboration seeks to advance gender issues in the DRMF space, promote transformation, and drive for gender equality in all aspects;
- **IFAD:** ARC and IFAD will collaborate and leverage on their technical expertise. This partnership is running under the GCF funded African Climate Resilience Project that was approved in March 2021;
- **Global Affairs Canada (GAC):** This collaboration will seek to progress climate action and support adaptation in Africa;
- **Global Center on Adaptation (GCA):** This strategic partnership will also seek to advance climate adaptation needs in Africa in view of enhancing climate

resilience on the continent. A number of specific areas of collaboration between both entities have been identified specifically to be applied under the GCA's Africa Adaption Acceleration Program, including on capacity building, technical assistance & collaboration, joint advocacy, collaboration in policy influencing as well as collaboration in knowledge generation and dissemination;

- **UNDP:** Through this partnership, UNDP to join the implementation of ADRiFi with a focus on regulatory issues that inhibit insurance uptake. AfDB focus will be on the financial risk instruments, while ARC provides critical technical capacity building to facilitate understanding of risk tools;
- **Centre for Disaster Protection (CDP):** ARC and CDP will mutually promote technical collaboration on capacity building, research, and advocacy to increase the quality and quantity of risk financing products and services to support ARC and its Member States' risk financing projects for better risk management decisions. The two will also to build awareness on the need for better disaster risk financing solutions, and to collaborate and strengthen the global evidence base on risk financing;
- **Afreximbank:** ARC and Afreximbank embarked on a project to develop a joint product which aims to leverage capacity from both institutions to reduce the impact of food insecurity and avail funds rapidly. Afreximbank will provide technical assistance to reinforce ARC capacities in climate risk modelling, data management improvement.
- **Secretariat of the African Continental Free Trade Area:** H.E the Secretary General and the ARC Group Director General undertook initial consultations in December 2021 on how the two organizations may partner and work collaboratively for the benefit of African countries
- **Other AU Organs and Institutions:** ARC intends to deepen its collaboration with AU organs and institutions. ARC held a joint planning session for 2022 with the Economic, Social and Cultural Council of the AU (ECOSOCC) while its agreed annual briefing session with the Pan African Parliament (PAP) was postponed.

### 2.2.6 Gender mainstreaming as a key priority

ARC has been unrelenting in its resolve to mainstream gender throughout the ARC programme. In 2021, the organisation continued to operationalise the ARC Group Gender Strategy within the organisation and in Member countries. The first point of call was sensitising and training ARC staff as part of growing their awareness and encouraging action in their respective areas. The organisation will continue to build on gender-transformation on internal processes to effectively address gender within the Group and to ensure gender transformative mainstreaming.

Further, capacity building work was also conducted for Government Coordinators who will drive for a gendered approach to the ARC programme in their respective countries. This is part of awareness building on the importance of gender consideration to ensure true resilience building across Africa. Much work has been done towards advocating for gender consideration in the DRMF, with engagement at

political, Member State and key stakeholder levels prioritised to move this agenda forward. Other initiatives as committed to in the ARC Group Gender strategy are ongoing.

A key milestone was the launch of the Gender and DRM Platform in May 2021, introduced in partnerships with the AUC Department for Agriculture and Disaster Risk Reduction, and the Directorate of Gender. The platform will ensure the integration of gender equality and women empowerment issues in the DRMF landscape. The new platform is as a key channel to deliver policy dialogue and advocacy on gender transformative DRM approaches geared towards the adoption of a gender transformative ‘culture of insurance’ by Member States. ARC continued to focus on sustained advocacy and the importance of research & development, training, policy dialogue, resource mobilisation and knowledge management to advance gender in Africa.

ARC also initiated the design of a Gender Transformative Fund based which will enable a deeper investment into gender transformation throughout the DRMF space, with the roll-out of the pilot phase initiated in four countries in 2021. Although travel restrictions delayed some of the planned workstreams, other work was still carried out and laid foundations for work that will be carried out in 2022.

Guided by a partnership agreement, ARC will continue to work closely and collaborate with UN Women to collaborate.

### **2.2.7 Reshaped communications**

ARC, through its communications function, continued to position the organisation as a credible and influential voice in shaping the continent’s management of natural disaster risks. In 2021, following the rollout of the refreshed Group Communication Strategy, ARC was able to create visibility of its work; develop new and strengthened existing partnership with the media and other stakeholders; launch a revised Group website; promote narratives from our Member States and beneficiary communities through content creation and storytelling; and position the Group as the “African voice on DRMF”.

During the reporting period, the organisation also worked to strengthen its presence globally and locally, and advocate for a collaborative approach to build Africa’s resilience. ARC was able to position itself as the convener of DRMF conversations on the continent which culminated in a concept development and launch of the ‘advocacy game-changing’ Africa Disaster Resilience Forum (ADRF). In addition to being a voice that advocates for more investment into Africa’s DRM, the organisation has been able to highlight the urgency of improving countries’ response capacities to disaster risks on various platforms.

The launch of the “ARC Stories” initiative, an initiative designed to encourage participation of all ARC stakeholders in telling their stories as they experience them, will be able to inform improvement initiatives and be on the same page with beneficiaries. 2021 was also used to create appropriate editorial and digital media

content that resonates with DRMF environment. Internally, the introduction of the @ARC weekly corporate newsletter has availed a source of news for ARC staff and stakeholders.

The communications function is critical in moving ARC's work forward, and to project Africa's voice even louder and on a wider scale. 2022 will be used to build on the momentum created during the reporting period.

### **3. Challenges and Recommendations**

#### **3.1 Challenges**

The ARC programme, which relies heavily face-to-face interactions for some of the critical elements such as country engagement and capacity building of Member States, has been greatly impacted by the onset of the COVID-19 pandemic. Over the two years, ARC has had to explore alternative working methods to minimise delays and any other negative impacts on the programme and other priorities. Despite the organisation making a concerted effort to review and adjust some of its ways of working and changing initiatives to virtual interactions, the limited availability of internet, compounded by network issues in Member States, challenged many workstreams. This led to excessive delays in some programmes and created a difficult working conditions for ARC staff and Member States alike. Guided by a virtual working strategy, ARC will continue to be innovative and to adapt to the current limitations. Plans are underway to find additional innovative solutions to the technology challenges encountered and improve the effectiveness of virtual working.

The ongoing threat of the coronavirus pandemic has further heightened the existing fiscal challenges that Member States face. In addition to the pressures and the urgent need to manage the COVID-19 pandemic, other natural disasters such as droughts and tropical cyclones continue to demand attention. This is in addition to catering for other standing and competing social needs for their populations such as education and basic healthcare. This in turn has challenged Member States' participation in ARC risk pools, as governments are forced to choose between financing the immediate traditional needs of their populations or investing in the fairly new and sometimes illusive concept of proactively managing disaster risks.

Premium finance support has been a notable solution to the challenge of premium affordability experienced by Member States, and ARC recognises it as one of the critical foundations needed to move DRM forward. In 2021, the organisation continued to engage Donor Partners and lobby for premium support to enable the uptake of much-needed insurance to cover natural disaster risks and the protection of populations.

The changing disaster risk landscape, which is characterised by intensifying weather-related disasters and an increase in disease outbreaks, has continued to challenge the continent and influence the way ARC operates. Member States have to contend with more disasters of varying degrees, exerting excessive strain on the

already limited resources. In this regard, ARC directed 2021 efforts towards the development of a diversified portfolio of solutions to ensure a comprehensive offering to Member States that will cover most natural disaster risks, including disease outbreaks. To fulfill its mandate, ARC realises that it has to look beyond just insurance to provide robust complementary solutions to cater for the multiple challenges. This was also a focus over the reporting period, with Africa's voice represented on a number of noteworthy platforms.

### **3.2 Recommendations**

ARC always strives for ongoing improvement, and uses lessons learnt over its years in operation to find the right mix of tools for Africa. It is committed to bringing world-class solutions to Member States and continues to drive for product diversification, deliberate resource mobilisation to facilitate growth, and demand-driven partnerships to deliver on its mandate. The organisation therefore proposes the Executive Council to:

- a) Encourage countries to support ARC and its mandate, and to participate in the ARC programme;
- b) Support the signing and ratification of the ARC Treaty by Member States that have not yet done so;
- c) Encourage ARC to work with national, regional and continental authorities to influence the DRM space at policy level;
- d) Request various, diverse stakeholders to consider providing sufficient funds to sustainably cover multi- year operational and programme costs;
- e) Advocate for ongoing research and development to ensure the ARC offering adequately protects Member States from natural disasters.

## **Annex I: Draft decision on the Annual Activity Report of the African Risk Capacity Group**

### **The Executive Council;**

1. **TAKES NOTE** of the Report of the ARC Group and the recommendations made therein
2. **FURTHER TAKES NOTE** of the efforts of the ARC Group in implementation and operationalisation of the refreshed ARC Group Strategy 2020 – 2024 towards ensuring that the strategy is adequate to meet the needs of Member States.
3. **COMMENDS** the ARC Group for the efforts to strengthen resilience in Africa against the multiple hazards and perils, coupled with the pandemic, that AU Member States are exposed to and for the extensive efforts that was directed towards accelerating and completing the development of ARC's Outbreaks and Epidemics (O&E) solution as well as for the implementation of gender sensitive and inclusive disaster risk reduction strategies.
4. **CALLS UPON** Member States to utilize the risk financing tools and products of the ARC Group to support improving the response capacities against natural disasters and outbreaks and epidemics.
5. **REQUESTS** the ARC stakeholders to consider providing sufficient funds to sustainably cover ARC multi- year operational and programme costs.
6. **FURTHER REQUESTS** Member States to support the fundraising drive of the institution and accelerate considerations for voluntary contributions and membership fees to ARC.
7. **ENCOURAGES** Member States that have not yet signed and ratified the Agreement for the Establishment of the ARC Agency to accelerate their processes of signing and ratifying of the Agreement.

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