ARC welcomes DfID and OPM evaluation

In November 2015, the UK Government's Department for International Development (DfID), contracted Oxford Policy Management (OPM), to undertake an independent 10-year evaluation of the African Risk Capacity (ARC).

The purpose of this initiative is to (i) identify and feed lessons learnt into the management of the ARC programme, (ii) to confirm ARC's cost-effectiveness as a risk pooling and transfer mechanism, and (iii) to provide accountability to the UK taxpayer for the Government's investment in ARC.

ARC welcomed this opportunity in 2015 and has been actively engaged with OPM in its execution of this evaluation. Although this is the first report of the formative evaluation and the report acknowledges that *"it is too early to be able to definitively answer the evaluation questions given the need to collect more evidence over several years to be able to robustly point to the contribution that ARC has made towards its desired outcomes and impact"*, the information generated has been invaluable for ARC.

Such evaluations and the insights they generate are an important contribution towards ensuring that the institution continues to offer better products and services to its Member States and the ultimate beneficiaries - vulnerable households.

As such, ARC has already been actively incorporating some of the recommendations for new activities made in the report, such as improving awareness of our products among stakeholders and enhancing communications. Additionally, ARC will continue to invest in cutting-edge R&D towards ensuring that tools and products offered by the institution, i.e. the *Africa RiskView* modelling platform, remain the best and most advanced technology of its kind and are aligned with the needs of the African continent and set the standard for best practise in this space. Fostering partnerships with both regional and international organisations will continue to be a priority for ARC, as we value and see such initiatives as integral to the success of our mission.

The successes, challenges and learnings from the implementation of the ARC mechanism will ultimately be to the benefit of the African Union (AU) Member States, whose proactive initiative resulted in the establishment of the ARC. The Member States are investing in the ARC and actively seeking better ways to finance and manage their natural disaster and climate risks.

In this context, transparency is of utmost importance to ARC and the institution is committed to ensuring that its stakeholders are fully briefed and aware of the operations of the ARC and its evolution and impact through the years and will continue to be a part of the evaluation process.

Apart from improving the work of the institution in line with the needs of Member States and stakeholders, we believe that this evaluation, as with the other evaluations which ARC is also engaged in with other partners, will form an important contribution towards the broader climate change and disaster risk management and financing community, in which there is an increasing appetite to understand regional risk pools and their impacts.

We value our partnership with DfID in initiating this critical 10-year evaluation which should shed significant light on ARC as a risk pooling mechanism in the African context, and whose experiences could prove instructive in other regions and contexts and importantly also within African Union Member states as they seek to build out their risk financing architecture.

Independent Evaluation of the African Risk Capacity (ARC)

Formative Phase 1 Report

ARC Management Response

28th January 2018

Context and background

In November 2015, the UK Government's Department for International Development awarded Oxford Policy Management (OPM) the contract for an Independent Evaluation of the African Risk Capacity (ARC) from 2015 to 2024. OPM's proposal was submitted as part of e-Pact, a consortium led by OPM and co-managed with ITAD.

There are two components to the evaluation - a two-stage formative evaluation; and a two-stage impact evaluation. The purpose of the overall evaluation is:

- To identify and feed lessons learnt into the management of the ARC programme. This will be the focus of the formative evaluation, which will consider ARC's effectiveness and performance.
- To test if risk pooling and transfer is a cost-effective way to incentivise contingency planning and ensure rapid responses to drought and other extreme weather events. The impact evaluation will consider the value of contingency planning and early responses in minimising the impact of (and accelerating recovery from) extreme weather. It will consider where, when, why and how ARC is or is not effective with the aim of contributing to the global evidence base.
- Provide accountability to the UK taxpayer for DFID's investment in ARC, demonstrating evidence that informs continued DFID investment in the programme.

The evaluation uses a theory-based approach and includes two formative evaluations, two impact evaluations (baseline and end-line) and an option for a quantitative household survey based on a separate experimental design. The based on the Theory of Change, following evaluation questions were investigated:

- To what extent does ARC's institutional setup and outputs lead to the adoption and effective use of ARC insurance products? Can this be improved?

- To what extent has ARC contributed to in-country timely and effective responses that protect affected households' livelihoods and prevent asset loss and food insecurity?

- To what extent has ARC influenced AU member states' capacity to anticipate, plan, finance and respond to climate related disasters generally, and more specifically in making best use of ARC?

- Do participating governments and other stakeholders value ARC's risk pool and technical assistance? Why?

Overall response to the evaluation

The report is exhaustive, well written and timely, aligned to our 2018 work planning process. Most of our earlier comments on the methodology, findings and conclusions have been adequately addressed in the revised report.

The evaluation provides an independent view and rich assessment of the work we do: our activities, processes and the governance structure that underpins our operations.

ARC's work is innovative and unique on the African continent; thus, we are open to building our capacity in this area, and identifying effective means to improve our product and services, and the delivery, thereof. We therefore, embrace the evaluation and anticipate that the implementation of the accepted recommendations will yield a positive impact on our overall efforts to increase effectiveness and efficiency.

The recommendations from the report are well received and relevant to the areas of improvement on which ARC is focussing. As demonstrated in ARC's response below, we have already started to implement some of these recommendations in our programme. We will incorporate all new activities coming out of the report into the 2018 work plan, and monitor and report progress of implementation.

ARC's detailed response to the recommendations (with respective actions) is summarised in the following table.

Key recommendations and management response

Evaluation recommendation 1: Stimulating the risk pool via fundamental changes to ARC's approach
1a) Consider the implications of premium financing and use it to shift to insuring more infrequent events as part of an overall risk management package
Management response: Partially Agree
ARC has been actively and constantly considering the implications of premium financing. This is reflected in the evolution from the initial identification of the problems to the active technical and policy engagement with partners. In fact, the most advanced initiative to support the premium payment mechanism is the program proposal developed with the African Development Bank. The program proposal "The African Disaster Risk Financing Programme" (ADriFi) which is expected to run for the 5-year period 2018-2022, is a comprehensive and sustainable solution for risk transfer within the broader context of disaster risk management. Thus, it focuses not only on premium payment support but also on in-country capacity building on disaster risk management and disaster risk financing. The sustainability plan of the program includes (but is not limited to) (i) strengthening policy makers' understanding of quantified risks and sound financial management through disaster risk financing instruments; (ii) the ownership of future premium payment by countries through digressive premium payment support (100% for the first year, reduced to 50% by the 3rd year, and 0% in the 5th year). ARC considers a robust sustainability plan and holistic financial management of disaster risks as critical elements of any sound premium financing support initiative. Whether premium financing could lead countries to take insurance for more infrequent events as suggested in the recommendation is not supported by any findings of this evaluation.

Key action(s) planned	Expected completion date	Responsible unit(s)	Further funding required (Yes/No)
1.1. Premium financing strategy implemented: This consists of deployment at the country level and with financing partners and the tasks entailed are considerable and range from discussions/negotiations with governments on possible use of country allocation to formalization of partnerships with	Ongoing – depending on countries as they join the pool, needs emerge, financing alignment	Policy & Technical Services and Programme Departments	Yes

financing institutions to guide deployments of financing to technical project design etc.			
1.2. With effect from Pool V, ARC will compile available forms of disaster risk financing for analysis prior to underwriting as a means to assist countries to select optimal risk financing strategies.	Closure of Pool V (December 2018)	Policy & Technical Services and Programme Departments ARC Ltd Underwriting	Not sure

Evaluation recommendation 1b): Improve communications
Management response: Agree

Key action(s) planned	Expected completion date	Responsible unit(s)	Further funding required (Yes/No)
1.1. Resourcing: Recruitment of Senior Communications officer.	28th Feb 2018	Agency and Ltd Chief Operating Officers (COOs)	No
1.2. Development of Communications Strategy Framework, country and regional communications strategy including ARC media and profiling plan.	30th Jan 2018	Agency and Ltd COOs	No
1.3. Brand strategy and branded storytelling, human interest stories and case studies	Project starts 30 Jan ends June 30th 2018	Comms Department with Agency and Ltd COOs	No
1.4. Maintain donor quarterly call and agreed donor reports	Ongoing	Agency	No
1.5. Maintain weekly calls with Ltd Class C members and submission of quarterly dashboards	Ongoing	Ltd Operations	No
1.6. Training workshop with Class A members	February 7 2017	Ltd Underwriting and Operations unit	Yes

Evaluation recommendation 1c): Improve coordination with external organisations

Management response: Partially Agree

ARC Management welcomes the recommendation to identify options for better engagement with civil society and NGOs (both local and international). ARC has made a concerted effort with this stakeholder group including organizing briefing sessions and meetings, strengthening of requests to governments for greater engagement with NGOs in the technical working groups to development of publications to build awareness within this community and invitations extended to civil society organisations to participate in ARC Annual COP. This is an initiative ARC will continue to build on.

Building strong and effective partnership with relevant external players has always been a key principle and a priority that has guided ARC's engagement to date. Significant progress has been made on this front from enhanced engagement with the AU, the RECs and associated technical institutions including the NGO community. Furthermore, ARC has made a concerted effort to build effective working relationships with many other partners including (but not limited to WFP, CIMA, AFDB, BOND GROUP, African NGOs and Farmer Organisations, InsuResilience Initiative, GIZ In Ghana, CABRI, ECOWAS AGHRYMET, IGAD, CILLS, SADC, IsDB, CSIR, SASSCAL, Columbia University, AIMS, University of Cape Town, CDKN, CARE International amongst many others. These partnerships have ranged from technical to political in support of strengthening the work of the institution.

The comment about ARC *"tendency to complain about 'competition' rather than rather than seeking to work with other organisations"* is not substantiated with any evidence in the report and is irrelevant to the main recommendation which is to reach out to civil society and NGO(s). We strongly disagree with this comment.

Key action(s) planned	Expected completion date	Responsible unit(s)	Further funding required (Yes/No)
1.1. priority partnerships with REC's, NGO's and academic institutions	Ongoing. If done correctly, partnerships should grow.	Policy & Technical Services (PTS)	Depends on the partnership but generally – Yes.

Evaluation recommendation 1d): Review Africa RiskView (ARV) and improve ARV's transparency

Management response: Partially Agree

ARC will continue implementing all the activities related to ARV improvement and to improving the communication and transparency in the improvement plan. In fact, 25% of the planned activities were completed during the 2017 fiscal year and, 73% of the activities are on-going.

However, the comments made by "some respondents" referring to ARV as "black box" should be contextualized and consider the respondent's knowledge of the impact model. The methodologies of both the drought index and the

vulnerability are available and the data public and free. What will be certainly improved in ARV is the passage from the risk model, i.e. ARV output, to risk transfer parameters and premium composition.

While there are undoubted benefits to open software source code to a broader community of expertise, the risks of such an action cannot be underestimated. The recommendation of making the software open source is the opposite of our agency policy as it is politically too sensitive. Technical transparency is provided by a public (very) detailed description of the model; thus the model can be recalculated by anyone at any time.

Having a public source code that any developer in the world can change would potentially lead to multiple versions of ARV around the world, which would be risky and confusing for users.

Key action(s) planned	Expected completion date	Responsible unit(s)	Further funding required (Yes/No)
1.1. Implement the improvement plan (matrix)	Multiple	Research and Development (R&D)	No

Evaluation recommendation 2: Improving the capacity building offering

2a) Redesign capacity building approach

Management response: Agree			
While management agrees with the recommendation to consider an innovative approach for capacity building, ARC is committed to revising its project cycle and aligning the training accordingly. Accessible tools and guidance will be developed.			
Key action(s) planned	Expected completion date	Responsible unit(s)	Further funding required (Yes/No)
1.1. Design an online training course on ARV	June 2018?	Technical Team	NO
1.2. Train ARC team in delivering training	TBD	Human Resources (HR)	YES
1.3. Implement ARC Academy of learning	June 2018?	Technical team	NO
1.4. Implement Contingency Planning knowledge platform	December 2018	Contingency Planning Team	YES

Evaluation recommendation 2b): Consider the capacity of political stakeholders and their coordination with technical experts			
Management response: (Agree)			
Key action(s) planned	**Expected completion date**	**Responsible unit(s)**	**Further funding required (Yes/No)**
1.1. Organize parliamentary information session	On-going activity	Country Engagement Managers (CEM)	YES
1.2. Ensure appropriate GC level	On-going activity	CEM	NO
1.3. Continue sensitizing Government members	On-going activity	Management and CEM	NO

Evaluation recommendation 2c): Accept longer timeframes for capacity building			
Management response: (Agree) – Management must understand the implications in terms of pool growth			
: Action is being taken to address the adequate time frame required to provide capacity strengthening to countries on various technical aspects including the Contingency Planning. This will be aligned with the project cycle.			
Key action(s) planned	**Expected completion date**	**Responsible unit(s)**	**Further funding required (Yes/No)**
1.1. Review the project cycle	June 2018	CEM team	NO
1.2. Contingency Plan process review	December 2018	Contingency Planning (CP) team	YES

Evaluation recommendation 3: Improving the organisational effectiveness within ARC Agency and ARC Ltd. **3a) Review the MoU between ARC Agency and Ltd to discuss the scope, missions and interaction between the two entities**
Management response: Agree

Key action(s) planned	Expected completion date	Responsible unit(s)	Further funding required (Yes/No)
1.1. ARC Agency and ARC Ltd have started working on mechanisms to ensure that their activities are more closely aligned and integrated. At their February 2018 meeting, the Boards will consider Governance Operations Principles intended to create a framework for joint governance activities.	February 6, 2018	Boards/Legal Secretaries	No
1.2. The MOU between Agency and Ltd will be amended to reflect the Governance Operations Principles, and other discussions at the Board meeting. The Board Chairs will sign the agreement on behalf of the Boards	March 15, 2018	Legal Secretaries	No
1.3. The Joint Workplan and SOPs will be updated according to the Joint Governance Operations Principles, updated MoU and other Board decisions taken at the February Board.	Ongoing, after February 6, 2018	Agency and Ltd COOs	No
1.4. ARC Agency and ARC Ltd will review the position descriptions of staff to ensure that the activities of the organizations are integrated without overlapping staffing.	April 2018	Agency and Ltd COOs	No
1.5. ARC Agency and ARC Ltd will field joint field operations.	on-going	Agency and Ltd COOs	No

Evaluation recommendation 3b): Review and strengthen Standard Operating Procedures (SOPs) and decision-making processes in critical areas
Management response: (Agree)

Key action(s) planned	Expected completion date	Responsible unit(s)	Further funding required (Yes/No)
1.1. Review ARC SOP(s)	December 2018	All departments	No

Evaluation recommendation 3c): Review and tighten deadline policies for premium payments

Management response: (Agree)

Key action(s) planned	Expected completion date	Responsible unit(s)	Further funding required (Yes/No)
1.1. Policy signature and premium payments deadlines are on the agenda for discussion and agreement for the ARC Ltd members meeting scheduled April 2018.	May 2018	Class A Members Class C Members	No

Evaluation recommendation 3d): Review staffing requirements to ensure capacity for high-level political engagement

Management response: Partially Agree

Management disagrees with the recommendation to *'review of the number of senior-level staff members which it employs in order to facilitate greater levels of engagement with high-level decisions-makers in countries* **'** as it is not through staff numbers that we build institutional capacity. Furthermore: a focus on numbers goes against our strategy to develop a lean but high performing team, and our operational efficiency principles.

ARC's focus is on building capacity of Country Engagement Managers and Heads of Government Services in understanding both political and technical aspects of their areas of work through effective staff training and on the ground exposure, which builds sustainable credibility in their ability to interact with senior government officials and manage high level political and technical interactions at the highest levels.

To compliment this capacity building we are striving to build the necessary technical acumen and capacity within our teams which involves a rigorous and gradual process to ensure high quality results. The level of engagement is informed by a series of pioneering academic and technical partnership which take a significant amount of time to cultivate and given the bespoke nature of the product offering to our member states, mass replication could be detrimental to the process.

Key action(s) planned	Expected completion date	Responsible unit(s)	Further funding required (Yes/No)

1.1. Targeted recruitment strategy for dynamic, skilled, learning agile, experienced talent	Ongoing	Agency COO	No
1.2. Revised induction programme with focused sessions on government engagement and stakeholder management for Country Engagement Managers (CEM) and all staff	Initiated in 2017	Heads of Government Services	No
1.3. Junior CEM exposure – Junior staff coupled with Senior Staff for all initial in-country visits. Performance evaluation is conducted before CEMs can enter into high-level engagement	On-going	Heads of Government Services.	No
1.4. ARC frequently requests that board members facilitate high level interactions in our member states and institutions. We intend to increase their participation, and also capitalise their influence and expertise. Board members representing ARC will be shadowed by ARC staff who will gain from on-the-ground learning and exposure.	On-going but to be improved and increased	Heads of Government Services	Yes
1.5. In addition to using Board members for high -level interaction and advocacy, ARC intend to have a retainership contracts with high level profile, often retired but active on the international arena with good knowledge of ARC space of intervention, respected influential resources to be mobilized as needed for strategic advice, high-level special missions, advocacy, etc... This is more cost effective than increasing the number of senior staff members..			Yes
1.6. World Bank Training – As part of the engagement of the World Bank, we are working to utilise their expertise in Disaster Risk Management	Mid 2018	PTS	No
1.7. GAD Risk Financing Tool – In collaboration with DFID, rolling out training on GAD created disaster risk financing to ARC staff	Q1 2018	PTS	Yes

1.8. Willis Insurance Curriculum – Working with our Insurance broker to provide educational information on the Insurance market	Q3 2018	PTS	No
1.9. Technical Partnerships - technical collaboration with AGHRYMET-The West African Early Warning Centre who have agreed to join the technical working group to provide their expertise. Insuresilience Partnership – working to establish platforms where staff can both get information and also disseminate information to member states	On-going	PTS	Yes
1.10. Knowledge Platform – ARC is working on the development of a knowledge platform where staff will have access to information to build on engagement with members	Q3 2018	PTS	Yes