



# How African countries can maximise value from climate-related disaster insurance and capacity-building support

## Introduction

The frequency and severity of disasters globally, including in Africa, are intensifying, be they droughts, floods, or cyclones. **Governments need to ensure that their disaster risk planning and financing will deliver timely assistance to affected populations before they engage in negative coping strategies**, such as selling their assets or withdrawing children from school. Parametric insurance for national governments – based on climate data rather than actual losses – is one means of ensuring finances are available rapidly to help mitigate the effects of natural disasters.

**African Risk Capacity (ARC) is a specialised agency of the African Union (AU), which provides countries with access to innovative financing options - in the form of insurance policies - as well as capacity building to facilitate country-level preparedness ahead of climate disasters.** The ARC Group comprises ARC Agency and the ARC Insurance Company Limited (ARC Ltd). **ARC Agency** builds capacity in member countries to plan for and respond to climate disasters, including risk modelling. **ARC Ltd** is a financial affiliate delivering risk transfer services – particularly insurance - to country governments. ARC 'Replica' coverage allows United Nations agencies and other humanitarian actors to benefit from insurance that matches the countries' insurance policies.

Oxford Policy Management was commissioned by the Foreign, Commonwealth and Development Office to conduct an independent evaluation of ARC over the period 2015–2026 through a number of discrete studies. This brief is based on the **ARC impact assessment conducted in 2023/24**. The impact assessment evaluated the contribution made by ARC's work, through its assistance to member





countries, to reducing the impact of climate disasters on vulnerable households. This brief summarises the key findings relating to the effectiveness of ARC's work at the country level and makes recommendations to ARC's member states on how to maximise the value that they obtain from the services on offer through ARC.

**The assessment covered 21 payouts received by 11 ARC member countries where a drought or cyclone had occurred between 2020 and 2023**, including three in-depth country case studies in Madagascar, Malawi, and Mauritania. The national disaster risk management (DRM) systems were assessed using **evaluation rubrics** co-developed with ARC representatives, external experts, country government representatives, and other stakeholders. The rubrics identified key assessment criteria and levels of performance, which could be classed as emerging, evolving, embedding, and excelling. An example of a rubric assessment of the governance dimension is given in Figure 1.

Using the rubrics, we assessed country documents for the 21 payouts on dimensions of governance, management, and coordination, finances, targeting and delivery capacity, timeliness, volume and type of assistance, and targeting and equity.<sup>1</sup> The three country case studies provided more in-depth information, based on qualitative research with key stakeholders and disaster-affected communities.

<sup>1</sup> Documents produced by countries in the process of purchasing ARC insurance and utilising any payout: Operational Plans / Contingency Plans and Final Implementation Plans.

Figure 1: Example of rubrics used to assess ARC's impact.

Dimension	Emerging	Evolving	Embedding	Excelling
				
<b>Governance</b>				
<b>National policies or legislation related to drought or other natural disaster risks (incl. Disaster Risk Management (DRM) strategies)</b>	Little or no national policy related to natural DRM	Some DRM policies in place but with no strategy or institutional arrangements in place	Some DRM policies in place with provisional strategy and institutional arrangements in place	Extensive and recent DRM policies in place with clear strategy and institutional arrangements in place, including allocated budget
<b>Authority structures to manage disaster response</b>	No institutional focal point for DRM	Institutional focal point for DRM in place but without sufficient staff and resources	Institutional focal point for DRM in place with staff and resources	As Embedding PLUS: DRM agency (institutional focal point) has actively updated workplan

Credit for the generic performance levels and associated visual images: Julian King and Kataraina Pipi

## Findings: Opportunities to further positive contributions of ARC

The evaluation found, based on this document review, that **ARC member states have on average fairly strong DRM systems**, with DRM legislation and authority structures largely in place, embedding early warning systems, and good financial management plans for the disbursement and distribution of funds in response to disasters. They also have good risk assessments, capacity to identify needs and profile beneficiaries, and capable response delivery mechanisms. However, countries often lack formal learning mechanisms, where tracking is unsystematic and lessons from disaster responses are not integrated into future planning. They have weak or basic disaster risk financing policies and strategies, and most do not have social registry data or such data are outdated.

We found that when countries engage with ARC, **it helps improve their financial and operational preparedness ahead of extreme weather events**, although the value of the payouts often covers only part of the need. Together with other partners, ARC has contributed to improvements in countries' DRM systems, especially on a technical level – improving technical capacities in specialist areas – as well as in the promotion of coordination and comprehensive planning processes by setting up Technical Working Groups (TWGs) and supporting the development of operational plans.

**ARC-supported contingency plans are generally of good quality** and were viewed by many national stakeholders as a valuable way of preparing for droughts and cyclones. The

implementation plans are an important tool to plan and document intentions on how the payout will be utilised to provide support. They present a clear 'line of sight' between the choice of activities and the need for mitigating crisis impacts. However, **in a significant number of cases they did not plan to deliver assistance earlier than conventional responses and they often lacked detail on targeting and gender.**

**ARC has helped build modelling capacity of countries** to use the Africa Risk View (ARV) model for drought and the Tropical Cyclone Explorer for cyclones. However, case studies revealed some challenges with ARV customisation and variable levels of confidence in the model. To make the most of these models, countries need to have the technical capacity in place to effectively engage with the models.

**Favourable political will is a key factor** in the success of capacity building, while turnover of government staff is a significant challenge.

**ARC Technical Working Groups (TWGs) in member countries are especially beneficial for strengthening capacity and coordination. They are reasonably well integrated into government structures**, helping to harmonise activities and coordination with existing government systems. However, despite membership of the TWGs by a range of partners, broader coordination between ARC and other actors is often quite limited. Expanding coordination with other disaster management stakeholders within and outside government would further improve the timeliness and efficiency of payout disbursement and response.





Countries should improve the timeliness of the receipt and utilisation of ARC funds to assist affected populations faster. ARC's intention is to intervene ahead of the 'traditional' period of response to peak humanitarian needs (e.g. lean season). However, **payouts are not systematically resulting in faster assistance**. Among the five ARC payouts reviewed, only one response was faster than the 'traditional' response timing. ARC payouts take on average over two months to disburse **and the window for early action is often missed**. Responses would be more timely if countries speed up their operational and procedural processes linked to payout disbursement, such as the release of finance to implementing bodies and procurement processes.

Where an ARC payout resulted in earlier assistance, communities reported that this resulted in **tangible improvements** to their ability to safeguard health and livelihoods. In one case where the aid arrived earlier than the lean season period, beneficiaries reported that it was just in time to prevent negative coping. For all responses, communities reported that the ARC-funded assistance provided much-needed relief, supporting them to meet urgent needs and allowing them to maintain food consumption for the duration of the support.

## Recommendations for member states

Member states can take steps to maximise the value they get from ARC membership and insurance by addressing some of the gaps found by the evaluation.

1. **Consider where the ARC relationship is 'housed' in government** and actively work to socialise ARC across different government departments to facilitate the wider catalytic effects that ARC can bring.
2. **Look for ways of collaborating more closely with country-based organisations**, including ARC Replica partners, whose in-country presence can complement and enhance the capacity-building support provided by ARC. Involving diverse organisations in the TWGs is a good way to harness the technical capacity available in country.
3. **Enhance capacity to implement targeting processes**, paying attention to gender and equity issues; **strengthen monitoring and evaluation systems**; and **better institutionalise capacities developed through ARC support**.
4. **Ensure that systems are in place for managing the receipt and onward distribution of funds, targeting, and the procurement and distribution of assistance**. Explore mechanisms for making more intentional use of 'pre-financing', where rapid spending from government funds is reimbursed through the ARC payout.
5. **Build evidence and ensure collective agreement on the appropriate timing of ARC-funded assistance**. Consider using seasonal calendar/timelines that identify how communities are affected by crises and when they typically resort to negative coping strategies to identify the windows of opportunity for early response actions.
6. **When a payout is imminent, ensure that key stakeholders rapidly implement the steps required by the implementation plan**. In some countries, simulation workshops have improved the level of preparedness ahead of time.







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