ACCESS TO THE AFRICAN RISK CAPACITY PROGRAMME

SUBJECT

Agricultural production in many parts of Africa is affected by natural climate variability and is likely to be significantly compromised by climate change through the higher incidence of drought, erratic rainfall and damaging high temperatures. The current system for responding to natural disasters is often not timely or equitable enough, with much of the cost being borne by farmers. When international assistance is available it is often too late.

The African Risk Capacity (ARC) is a continental sovereign risk pool and early response mechanism designed to execute pre-approved contingency. ARC's mission is to help African Union Member States to protect the food security of their vulnerable populations. As an insurance risk pool, ARC's objective is to capitalize on the natural diversification of weather risk across Africa, allowing countries to manage their risk as a group in a financially efficient manner in order to respond to probable but uncertain risks.

In order to participate in ARC, countries must undertake several processes, including:

1. Customizing the Africa RiskView software,

2. Signing a Memorandum of Understanding (MoU) for in-country capacity building,

3. Defining a contingency plan for ARC payouts, and

4. Determining risk transfer parameters.

[1] https://whatis.techtarget.com/definition/contingency-plan

On behalf of:

Deutsche Gesellschaft
für Internationale
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Federal Ministry
for the Environment, Nature Conservation
and Nuclear Safety

of the Federal Republic of Germany

SITUATION IN GHANA

1. **Customization of the African RiskView Software (ARV).**
   In Ghana, this procedure was started with the signing of the Software License Agreement on Africa RiskView. The ARV was then adapted and customized to Ghana's circumstances. Also, the country's vulnerability profile for the defined coverage area was established (Northern, Upper East and Upper West Regions of Ghana). Additionally, training was given to the prospective users on how to effectively use the software.

2. **Political Commitment and establishment structures.**
   Ghana signed the Establishment Agreement in January 2016 and Memorandum of Understanding in June 2016. This was followed by the designation of a National Coordination Institution (Real Sector Department of Ministry of Finance) from which a Programme Supervisor and a Government Coordinator were appointed to form a multi-stakeholder Technical Working Group (TWG).

3. **Defining a contingency plan for ARC payouts.** A written contingency plan and accompanying budget based on Ghana's priorities and existing systems were defined. This plan is to ensure that potential ARC payouts can flow quickly and effectively to beneficiaries.

4. **Determination of Risk Transfer.** Key to this work stream was to determine:
   · The risk that Ghana wants to retain and manage using other resources
   · The percentage of the total modelled risk Ghana wishes to be transferred to the pool
   · The maximum payout to be received in case of extreme drought

These parameters will determine the premium amount and Ghana's potential payout levels.

CHALLENGES IN GHANA

1. **Availability of data.** Customization of the ARV is dependent on historical loss and damage information and different types of weather data. In the case of Ghana, such data was not readily available. In most cases, the information was scattered among different and not easily accessible sources, which delayed the customization process and determination of the affected population. Specifically, it was difficult to obtain past damage and intervention costs to forecast future costs and therefore the risk transfer parameters.

2. **Capacity of the Technical Working Group.** The working streams of the ARC accession process required technical expertise in varied areas of sovereign and weather index insurance, which was lacking among the Technical Working Groups (TWGs) members. There is a need to ensure a greater level of understanding and ownership of Africa RiskView by the in-country TWGs. Among the challenges that prevent consistency in the TWG's engagement are high turn-over of government officials, limited expertise, competition for limited experts on various projects and programmes, challenges with identifying the right experts and, in some instances, low morale among some experts.

3. **Level of awareness.** There is a low level of awareness of the ARC programme among stakeholder, institutions, and political decision-makers with different actors perceiving the need for insurance differently. These factors negatively impacted the speed of the process.

4. **Response time by ARC to inquiries and support request.**
   In most cases, the time lag between a request by the TWG and ARC's support took longer than expected, which triggered long waiting periods and repetitive discussions of work streams.

5. **Budget constraints.** There has been some delay on the process as the government does not count with enough resources to acquire the insurance product.

SOLUTIONS

1. **Secondary data sources.** Data from secondary sources, extrapolations of regional information, and synchronization with research data were employed to generate the country profile. To carry out this process it is necessary to (i) develop a core set of agricultural statistics with the required domains and themes; (ii) ensure the collection, sharing and analysis of component-wise disaggregated data (e.g. district level yield data) to increase knowledge and understanding of the underlying risks; and (iii) use nationally reliable and internationally comparable agriculture and weather data.

2. **Capacity building for TWG members.** Frequent capacity building programmes for TWG members and learning visits to countries that have purchased the ARC policy were key to increase the level of understanding on the Africa RiskView software.

3. **Awareness enhancement.** ARC led a high-level meeting with political decision-makers, which helped raise awareness around disaster risk financing and associated concepts to gain higher leverage with political buy-in. Furthermore, to raise awareness, a dedicated person was nominated to disseminate information within relevant institutions. The dedicated person was key to enhance consistency and reliability of communication to members.

LESSONS LEARNED

1. The implementation of ARC requires a multidisciplinary network of actors. This can make implementation operationally and technically demanding.

2. Active and ongoing discussions around the limitations of the mechanism are needed. This is directly linked to building understanding around risk financing and the tools and options that governments should be seeking to harness.

3. Integrating ARC into national frameworks and strategies for sustainability is essential to ensure sustainability and continuity throughout of political changes.

4. There is a need for greater education and awareness building around disaster risk insurance. This points to the continued need for sensitization around the critical role of risk insurance in managing risk and response efforts within the risk management cycle and in building preparedness.