

STOCK-TAKE REPORT & POLICY RECOMMENDATIONS:
THE POSSIBLE ROLE OF THE AFRICAN RISK CAPACITY & CLIMATE RISK IN-
SURANCE APPROACHES FOR SMALL-SCALE FARMERS IN MALAWI,
ZIMBABWE, MADAGASCAR, TANZANIA & MOZAMBIQUE

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Executive Summary

This report was commissioned by CARE Southern Africa to explore the possible role of climate risk insurance in general and the African Risk Capacity (ARC) in particular, with regard to food security and climate resilience of small-scale (female) subsistence farmers in six Southern African countries.

The report starts with a regional as well as national level stock-take for the six countries covered by this report: Malawi, Madagascar, Mozambique, Tanzania, Zambia and Zimbabwe. ARC is being implemented in different stages in five of the six countries, while R4 and ACRE and other climate risk insurance approaches are relevant in at least two of them. The report reflects the possible role of climate risk insurance in view of the CARE regional advocacy objectives, as well as of possible, but so far not very well developed inter-linkages with the national and regional food security, disaster risk management, climate adaptation, social protection and agriculture policy frameworks. It concludes with three main findings, two general recommendations and 21 country-specific advocacy recommendations.

Climate risk insurance is considered highly relevant, if designed and implemented in a pro-poor way, as part of a broader risk management strategy. CARE is encouraged to take up respective advocacy work, since multi-stakeholder engagement is key to make climate risk insurance work for the poor.

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Acronyms and climate risk insurance glossary

ARC	African Risk Capacity, providing insurance coverage against climate induced losses to insured countries
ARC Agency	ARC Specialized Agency of the African Union, owned by ARC Member states
ARC Company	ARC Insurance Company Limited, the insurance arm of ARC
ARC Contingency Plan	Each country's combination of the operations plan and the FIP
ARC Operations Plan	Describes the proposed activities to be taken in the event of an ARC pay-out
ARC FIP	ARC Final Implementation Plan
Africa RiskView	Technical tool used by ARC Company to calculate climate risks, vulnerabilities and insurance costs
CAADP	Comprehensive Africa Agriculture Development Program
CIF	Climate Investment Fund
Climate risk insurance	Insurance providing coverage against possible losses caused by extreme weather events
CCRIF-SPC	Caribbean Catastrophe Risk Insurance Facility
CoGS	Certificate of Good Standing, to be delivered by a country that wants to get ARC climate risk insurance coverage
Direct insurance	Insurance policy agreed between the insured person and the insurer
DoDMA	Department of Disaster Management Affairs (Malawi)
DRM	Disaster Risk Management
FIP	Final Implementation Plan, providing comprehensive information how an ARC pay-out will be deployed in a country
GIIF	Global Index Insurance Facility of the World Bank
HSCTP	Harmonized Social Cash Transfer Program (Zimbabwe)
Indemnity-based insurance	Insurance type ensuring the actual loss, as has been proved
Index-based insurance	Insurance type with immediate pay-outs once a weather related index is triggered
Indirect insurance	Insurance policy agreed between a government and the insurer, with pay-outs to the ultimate beneficiaries intermediated by the government in accordance with the contingency plan
Insurance policy	Insurance contract providing all information on ensured risks and conditions for pay-outs in case of the occurrence of an insured event
Insurance premium	The price to be paid for an insurance
InsuResilience	G7 climate risk insurance initiative
IRI	Institute for Climate and Society (Zambia)
MCII	Munich Climate Insurance Initiative, a non-profit think tank
NatCatService	Publically available data bank for natural disasters and related losses
NDC	Nationally Determined Contribution, the climate commitment of a country under the Paris Climate Agreement for the period 2020-2025
Parametric insurance	Synonym for index-based insurance
Premium support	Financial support granted to make the premium of the insurance policy affordable for poor people, institutions or countries
PPCR	Pilot Program for Climate Resilience, a CIF funding window
PSAP	Productive Social Action Program (Mozambique)
SCTP	Social Cash Transfer Program (Malawi)
R4	Rural Resilience Initiative
TSFSN	Technical Secretariat for Food Security and Nutrition (Mozambique)
ZVAC	Zambian National Vulnerability Assessment

Introduction

Climate change and associated extreme climate events like drought and flood have increasingly put at risk food and nutrition security in Southern Africa over the last decade. The adverse effects of an extraordinary strong El Niño severely influenced the 2015/16 harvest and are expected to cause even worse food insecurity during the 2016/17 season. This marks a new peak of climate shocks and has led to the worst food crisis in Southern Africa in the most recent past, deteriorating framework conditions to achieve the CARE food security and sustainable development vision 2020 for this region.

This report aims at assessing how climate risk insurance as a comparatively new approach in Africa may help to achieve climate resilient sustainable development, and to overcome food insecurity and poverty of most vulnerable rural populations in general and small-scale female subsistence farmers, highly dependent on rain-fed agriculture in particular. The results of this assessment shall serve to inform the CARE Southern Africa Regional Advocacy Strategy on food and nutrition security and climate resilience for the years 2016-2020. Accordingly, it shall provide the following input:

- Information on the state of climate risk insurance and the implementation of the Africa Risk Capacity in each of the target countries¹ of CARE International in Southern Africa
- Information on procedural processes under the African Risk Capacity (ARC) and analysing advocacy opportunities
- Analysis of the mandate of the African Risk Capacity and other regional climate insurance initiatives in relation to the CARE food and nutrition security objectives for Southern Africa
- Exploration of the status of implementation of the African Risk Capacity in the regional member countries, including achievements, challenges and lessons learnt
- Provision of expert recommendations and guidance on how CARE can influence the ARC process both at national and regional level to respond to the food and nutrition security of the most vulnerable people that suffer the impacts of climate induced disasters
- Provision of advocacy messages regarding climate risk insurance at regional and Pan-African levels
- Analysis how climate risk insurance and ARC in particular relate to other Pan-African food and nutrition security mandates.

To serve this purpose, the authors of this paper collected, screened and analysed a wide range of relevant documents and interviewed experts. The results are documented hereafter and the report is structured in four main chapters:

The first chapter provides a general overview on climate risk insurance and the G7 InsuResilience initiative. It puts the focus on key requirements how climate risk insurance could benefit poor and climate vulnerable populations such as the target groups of the before mentioned CARE advocacy strategy, terminating in an explanation of the seven pro-poor principles for climate risk insurance, as developed by the Munich Climate Insurance Initiative, and expected to be adopted by InsuResilience.

The second chapter introduces and briefly assesses the African Risk Capacity (ARC), as the main Pan-African climate risk transfer initiative, owned by the African Union and supported by InsuResilience.

The third chapter provides a stock-take on the implementation of ARC and other climate risk insurance approaches in the six countries, where the CARE Southern Africa Regional Advocacy Strategy is employed. It analyses the possible role of these climate risk insurance approaches for small-scale (female) subsistence farmers, the linkages of them with national food security, disaster risk management and social protection policies and programs, and how they could be addressed by CARE.

The final chapter summarizes the key findings of this report in form of three main conclusions, some general policy recommendations, and sixteen more specific advocacy recommendations covering the six countries.

¹ Malawi, Zambia, Zimbabwe, Madagascar, Tanzania and Mozambique

Climate risk insurance and its possible benefit for small-scale farmers

Adverse impacts of climate change are increasingly experienced around the globe. The frequency and intensity of extreme weather events is rising and climate related loss and damage has quadrupled since 1992, according to Munich Re's NatCatService (Munich Re 2014). Agriculture and fisheries are the most affected economic sectors, suffering 25% of all damage (FAO 2015, p.2ff.), mainly caused by droughts followed by floods (Hirsch and others, 2014 p.11). Particularly in Africa, climate induced agricultural loss and damage put sustainable development and success in the fight against poverty at severe risk. The damages and humanitarian sufferings caused by El Niño in 2016 in Southern Africa (see WFP 2016) are the most recent indication of an alarming trend.

Small-scale farmers in Southern Africa – and women in particular - are at the forefront of climate risks, due to the critical combination of their geographical hazard exposition, high dependency on rain-fed agriculture, and multi-factor socio-economic vulnerabilities (AfDB 2011, p.122ff). With 54% (Madagascar) to 59% (Malawi), women represent the majority of rural workforce in most countries of the region (ibid). Minimizing their risks as much as possible through climate adaptation and enhanced disaster risk management measures is therefore an imperative to protect their livelihoods and fulfil their basic human rights. Risk reduction as a stand-alone strategy, however, will not always avoid residual loss and damage, which may cause severe suffering of those being most vulnerable. For these cases, risk transfer approaches, e.g. through climate risk insurance, could be appropriate instruments to address and at best close the climate risk gap of small-scale farmers.

While climate risk insurance is used by the overwhelming majority of farmers in developed countries to cover potential harvest losses, insurance is practically unknown in countries with low or very low income. Hence precisely the people who need insurance most, yet are unable to access and afford it (Hirsch and others, 2014 p.13). According to Munich Re, the biggest reinsurer in the world, only two percent of damages caused by natural disasters which occurred in 2015, were insured in low and lower middle income developing countries (Munich Re 2016). It is estimated that only about 100 million people in the Global South are protected against climate risks through direct or indirect insurance (GIZ and German Federal Ministry for Economic Cooperation and Development 2015).

Insurance tools, if well designed and well embedded in wider disaster risk management and resilience strategies, can play a critical role in protecting agricultural livelihoods and providing security for investments and credits. It “can protect people against climate shocks by acting as a safety net and buffer shortly after an extreme weather event” (Schäfer, L. and others 2016, p.11).

In 2015, in view of the upcoming Paris climate summit, the German G7 presidency took the initiative and created the political momentum needed to significantly expand climate risk insurance coverage to the Global South: The G7 climate risk insurance initiative InsuResilience was announced during the 2015 G7 summit in Elmau, aiming at granting access to direct or indirect climate risk insurance coverage to additional 400 million poor and vulnerable people in developing countries by 2020. Months later at the Paris climate summit, G7 countries pledged USD 422 million for this initiative.

Through InsuResilience, G7 member states “intensify support particularly for vulnerable countries’ own efforts to manage climate related disaster risk and to build resilience” (G7 2015): The initiative will prioritize the expansion of existing state-owned insurance instruments, such as the African Risk Capacity (ARC) or the Caribbean Catastrophe Risk Insurance Facility (CCRIF-SPC) over investments in the creation of new instruments. Based on its unique focus on poor and vulnerable people, InsuResilience could become an important financial enabler to introduce climate risk insurance in vulnerable contexts (Hirsch and others 2016 p.22f.). To make it work for vulnerable people being at high climate risk, including female small-scale farmers in Southern Africa, important requirements are to be met, such as accessibility, affordability, and reliability/sustainability. In other words, its impact will depend on the ability to reach those who are most at risk, and to provide them with affordable insurance coverage that compensates climate induced loss efficiently.

The not-for profit think tank Munich Climate Insurance Initiative (MCII), which is formed by insurers, climate change experts and NGOs, serves as an expert forum for insurance-based solutions to climate induced challenges. MCII follows a firm pro-poor focus and has assessed existing climate risk insurance approaches around the globe in order to provide InsuResilience with lessons learnt and good practice examples how to effectively implement the pro-poor focus of InsuResilience (see Schäfer/ Waters 2016). Building on this broad assessment, seven guiding principles how to make climate risk insurance work for the most vulnerable have been developed (see Schäfer and others 2016). At COP22 in Marrakech, the German Ministry for Economic Cooperation and Development signaled that these principles will guide future InsuResilience interventions, e.g. when identifying new partners and programs to be supported. The same principles serve as basis for assessment criteria applied in this report:

Table 1: The seven MCII pro-poor principles for climate risk insurance

Principle	Brief description
1. Comprehensive needs-based solutions	Solutions to protect the poor and vulnerable from extreme weather events must be tailored to local needs and conditions. It is imperative to embed insurance in comprehensive risk management strategies that improve resilience.
2. Client value	Provide reliable coverage that is valuable to the insured is crucial for the take-up of insurance products.
3. Affordability	Measures to increase the affordability for poor and vulnerable people are paramount to the success of an insurance scheme and important to satisfy equity concerns.
4. Accessibility	Efficient and cost-effective delivery channels that are aligned with the local context are key for reaching scale.
5. Participation, transparency and accountability	Successful insurance schemes are based on the inclusive, meaningful and accountable involvement of (potential) beneficiaries and other relevant local level stakeholders – in the design, implementation and review of insurance products – creating trust and providing a basis for local ownership and political buy-in.
6. Sustainability	Safeguarding economic, social and ecological sustainability is crucial for the long-term success of insurance schemes.
7. Enabling environment	It is vital to actively build an enabling environment that accommodates and fosters pro-poor insurance solutions.

Source: Schäfer and others (2016, p. 31ff.)

Climate risk insurance either provides direct or indirect coverage: In the first case, a direct agreement/contract between the insured person or institution (e.g. a famers’ co-operative) and the insurer (or risk-taking entity) regulates the insurance policy, including the insurance premium to be paid by the insured, the conditions (e.g. length of time-period without rainfall) under which a pay-out of the insurer to the insured is triggered, and the pay-out amount to be received from the insurer. Indirect climate risk insurances are those where the insurance contract is made between the risk-taking entity (e.g. African Risk Capacity) and insured governments, and where the finally intended target group, vulnerable people, indirectly benefit from pay-outs intermediated by the insured government (Schäfer/Waters 2016, p. 41). While direct climate risk or harvest loss insurances are the dominating approaches for farmers in developed countries, so far most farmers in Africa, apart from large-scale agribusiness, hold either no insurance policy at all, or they benefit from macro-level (government as the policyholder) or meso-level (e.g. cooperatives as policyholders) indirect insurances.

In terms of climate risk insurance products, basically two major types are to be distinguished: indemnity-based insurance and index-based or parametric insurance. While the first compensate the actual

loss (which are to be measured, what is costly and time-consuming), the latter make immediate payouts once a weather-related index (e.g. days without rainfall) is triggered (what makes premiums cheaper and claim settlements faster, but requires a network of weather stations and includes a basis risk which is not insured). Accordingly, both product types have their pros and cons (see *ibid*, p. 42ff.). Dependent on the specific context the most appropriate insurance approach is to be selected.

As pointed out before, there is a huge climate risk insurance gap in the Global South. Particularly in poor rural contexts, as they are prevailing in Southern Africa, climate risk or weather insurance is by and large unknown to the people. This is mostly due to the fact that no insurance policy is marketed because there is no business case for it in view of people's inability to afford insurance coverage.

Having said this, it is crucial to bring down the costs of insurances and to provide smart support or premium subsidies to make climate risk insurance affordable for the poor and vulnerable. This is true for both indirect but even more so direct climate risk insurance.

Insurance premiums consist of two major cost factors, the risk based part and the mark-up (or loading) part: While the first reflects the actual costs of compensating losses, the latter includes the product design and operative costs, which are usually particularly high in developing countries, due to a lack of data, underdeveloped financial markets. Low insurance coverage and other factors (Schäfer and others 2016, p. 36).

Even in cases where the premiums can be kept relatively low, i.e. by efficient product design, poor small-scale farmers will usually not be able to pay the full premium on their own. They would either need protection through indirect insurances like ARC (which as well may be dependent on smart support, i.e. subsidies, provided by donors like those cooperating under the InsuResilience initiative to the countries holding the policies); or farmers need some premium support to be able to purchase a direct climate risk insurance coverage, at least in an initial phase. This premium subsidization might go down over the years and even phase-out if farmers' capability to afford the policy increases over time, e.g. because the farmer manages to escape poverty. On the one hand, it is not very likely that donors – including the InsuResilience consortium – accept to pay unlimited premium support. On the other hand, it is not possible to extend climate risk insurance coverage massively to the most vulnerable people if they cannot afford the premium. For this reason, most if not all climate risk insurance schemes with at least a certain coverage of poor and vulnerable people provide some type of premium support (*ibid*, p. 39).

InsuResilience envisages to provide indirect insurance coverage to additional 300 million poor and climate vulnerable people and direct insurance coverage to another 100 million in the Global South already by 2020. So far, there is no consensual approach amongst the initiative's donors on premium support.² How such a support may look like to be reliable, and for making climate risk insurance affordable for the poor, may differ from country to country, and even within a country in view of different target groups. It would be an issue for CARE's awareness raising and advocacy work to discuss various options with vulnerable groups, as well as with specialized agencies and governments, and to advocate for approaches which meet the purpose. As we will show in the country case studies of this report, more awareness raising, mobilisation and advocacy work is needed to ensure that the principles introduced above will be met and that climate risk insurance really significantly contributes to close the climate risk gap of those small-scale farmers, predominantly women, who are at the very centre of CARE's Southern Africa Regional Advocacy Strategy. It is worth the attempt: Climate risk insurance has a huge potential for these groups to at least partly transfer climate induced losses to risk-taking entities such as ARC. InsuResilience can and should help to make that happen, e.g. by facilitating innovative pilot projects of direct and indirect climate risk insurance in both, countries like Malawi,

² By November 2016, the donors of InsuResilience, i.e. the G7 members, the EU and The Netherlands, pledged USD 550 million for this initiative. The funds will be spent through multilateral as well as bilateral channels. For more information see https://www.bmz.de/de/zentrales_downloadarchiv/themen_und_schwerpunkte/klimaschutz/Final_Joint_Statement_InsuResilience_20161114.pdf

Mozambique and Zimbabwe with already existing ARC coverage, and those other countries like Madagascar, Zambia and Tanzania, where climate risk insurance coverage is even less developed.

Even if it was said that the specific design of premium support is context-dependent, some general guidance might be taken from the three MCII key recommendations (for the details see *ibid*, p.40f.):

1. Direct premium support should be “smart”, understood as reliable, flexible, minimizing incentive distortions, and making the client aware of the true risk cost.
2. Smart premium support is essential for making climate risk insurance accessible for the poor.
3. Indirectly reducing premiums is key to making pro-poor insurance solutions affordable and has long-term co-benefits for building a comprehensive disaster risk management framework.

The African Risk Capacity (ARC)

The African Risk Capacity (ARC) was established on November 23rd, 2012 by 18 Member States at the last day of a Conference of Plenipotentiaries in Pretoria, South Africa, as a **Specialized Agency of the African Union**. By December 2016, 14 additional countries signed the treaty.

ARC Member States: Benin, Burkina Faso, Burundi, Central African Republic, Chad, Cote d’Ivoire, Comoros, Republic of Congo, Djibouti, Gabon, The Gambia, Ghana, Guinea, Guinea Bissau, Kenya, Liberia, Libya, **Madagascar** (since 31st January 2014), **Malawi** (founding member), Mali, Mauretania, **Mozambique** (founding member), Niger, Nigeria, Rwanda, Sahrawi Arab Democratic Republic, Sao Tome and Principe, Senegal, Sierra Leone, Togo, **Zambia** (since 29th January 2016), **Zimbabwe** (founding member).³

Vision: To help Member States improve their capacities to better plan, prepare and respond to extreme weather events and natural disasters, therefore **protecting the food security** of their vulnerable populations.⁴

Mission: To use modern finance mechanisms such as **risk pooling and risk transfer** to create **Pan-African climate response systems** that enable African countries to meet the needs of people harmed by natural disasters.

The **objective** of the ARC is to assist African Union Member States **to reduce the risk of loss and damage** caused by extreme weather events by providing targeted responses to disasters in a more **timely, cost-effective, objective and transparent manner** (see Articles 2 & 3 of the ARC Establishment Agreement).⁵

Institutional structure: The ARC is composed by two entities, the **Specialized Agency** and the **ARC Insurance Company Limited** (www.ltd.arc.int). The Specialized Agency oversees and supervises the ARC capacity development, including capacity building to the member states, and all ARC services provided. The Company as the financial affiliate carries out all insurance functions in accordance with the national regulations for parametric weather insurance in Bermuda where it is located for an interim period.⁶

Governance:

The **ARC Specialized Agency** is governed by the **ARC Governing Board**, which was **elected by** the first **ARC Conference of the Parties** in Dakar/Senegal on 27th February, 2013. It is composed of eight members, reflecting different thematic expertise and regional representation (see table 2). All members

³ See <http://www.africanriskcapacity.org/2016/10/29/arc-agency-treaty-signatories/> (29.12.2016)

⁴ See <http://www.africanriskcapacity.org/2016/10/29/vision-and-mission/> (29.12.2016)

⁵ *Ibid*

⁶ See <http://www.africanriskcapacity.org/2016/10/29/how-arc-works/> (29.12.2016)

and their alternates serve in personal capacity.⁷ The **ARC Secretariat** is currently headed by its General Manager, Mr. Mohamed Beavogui, who was elected by the 3rd annual ARC Conference of Parties in Addis Ababa/Ethiopia in January 2015.⁸ Seven appointed **ARC Government Coordinators** coordinate the country related implementation of ARC services (e.g. risk assessments, development of contingency plans etc.) in Burkina Faso, The Gambia, Kenya, **Malawi** (Mr. Hastings Mfitizalimba Ngoma, in office since October 2012), Mali, Mauretania and Senegal.⁹

The **ARC Company** as a mutual insurance facility comprised of its members, i.e. currently insured countries (2015: The Gambia, Kenya, **Malawi**, Mauretania, Niger, Senegal) and capital contributors (2015: KfW, the German Ministry for Economic Cooperation and Development, and DFID, representing the UK).¹⁰ The ARC Company's **Board of Directors** is composed by seven directors. The company is managed by CEO Ms Dolika Banda (Zambia) since September 2016, as successor of Dr. Simon Young.¹¹

Table 2: ARC Specialized Agency Governing Board

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

Source: www.africanriskcapacity.org/2016/29/arc-agency-governing-board/ (29.12.2016)

⁷ See <http://www.africanriskcapacity.org/2016/10/29/arc-agency-governing-board/> (29.12.2016)

⁸ See <http://www.africanriskcapacity.org/2016/11/11/secretariat/> (29.12.2016)

⁹ See <http://www.africanriskcapacity.org/2016/10/29/arc-government-coordinatorsles-coordonateurs-gouvernementaux-darc/> (29.12.16)

¹⁰ See <http://ltd.arc.int/2016/04/28/board-of-directors/> (29.12.2016). Note that this website may not yet include all countries who bought insurance based on the 2016/17 risk pool, i.e. Burkina Faso, The Gambia, Kenya, **Madagascar**, Mali, Mauretania, Niger, Senegal and **Zimbabwe**. See: http://www.africanriskcapacity.org/wp-content/uploads/2016/12/ARV_ARVBulletinOct16_EN.pdf

¹¹ See <http://ltd.arc.int/2016/07/11/the-african-risk-capacity-insurance-company-limited-arc-ltd-appoints-former-ifc-director-dolika-banda-as-ceo/> (29.12.2016)

How climate risk insurance provided by ARC works

The ARC climate risk insurance is an **index-based or parametric product**, based on **Africa RiskView** data. Insurable risks are losses provoked by drought, severe flood (from 2016 onwards), and cyclone (planned to be covered from 2017 onwards). Given that the index is met, Pay-outs are triggered at or before the harvest time (in case of drought), or soon after a flood or cyclone (if these risks are insured).

To keep insurance costs as low as possible, ARC seeks to create large **risk pools** formed by its members, capitalizing on the diversity of climate zones and risks across Africa, allowing the countries to manage their risks as a group rather than as individual countries. So far, ARC has created three risk pools covering the rainfall seasons 2014/15 (Kenya, Mauritania, Niger, Senegal), 2015/16 (The Gambia, Kenya, Mali, **Malawi**, Mauritania, Niger, Senegal) and 2016/17 (Burkina Faso, The Gambia, Kenya, **Madagascar**, Mali, Mauritania, Niger, Senegal and **Zimbabwe**). ARC member countries are encouraged to join the risk pools. Only as a risk pool member they can purchase a climate risk insurance.

ARC in cooperation with member countries calculates risks and country premiums. Through this process, ARC builds up capacity, awareness and incentives for governments to invest in their emergency planning and response measures (Schäfer/Waters 2016, p. 189). Countries can then select the level of insurance they wish to take, e.g. the risk they want to cover (drought, flood, cyclone), the level of risk coverage (e.g. droughts of varying intensity), and the level of pay-out. Depending on these criteria, the premium is calculated and paid by governments from the national budget.

To participate in this system, a country must apply for a **Certificate of Good Standing (CoGS)**, including the submission of an **operations plan**. The operations plan details the proposed activities to be implemented in the event of an ARC payout, requiring countries to identify the best use of funds with a view on the needs of potential beneficiaries, national priorities and existing risk management structures. These plans are evaluated by the ARC Board's peer review mechanism. They must follow specified ARC guidelines and must meet compliance standards before they can be approved. To facilitate these processes, ARC also provides capacity building to member countries for the different stages, starting from climate risk assessment to elaborating and updating contingency plans (ibid).¹² Standards and compliance rules can be downloaded from the ARC website.¹³ The planning standards and guidelines are aiming at providing transparency and accountability with regard to pay-outs and who will benefit from them. However, they leave flexibility to the countries, whom they identify as beneficiaries and what instruments they use to compensate for climate induced losses, e.g. cash transfer, food aid or the distribution of seeds. The country case studies of this report briefly assess contingency plans in comparison with the pro-poor principles introduced above. The assessments will give some indications for good practice, as well as shortcomings, resulting in recommendations for next possible steps, CARE may consider. These assessments, however, do not replace in depth country assessments including stakeholder consultations, which are recommended for those countries where CARE intends to take up ARC related advocacy work.

Once the operations plan had been accepted, the country purchases an insurance from the ARC Company and shortly before a likely ARC pay-out, the country must submit a **Final Implementation Plan (FIP)** that provides comprehensive information on how the payout will be deployed. This plan has to be approved by the ARC Specialized Agency Governing Board, before the ARC Company can make the pay-out. The combination of the operations plan, CoGS and the FIP constitute each country's **ARC Contingency Plan** (Kimetrica 2014).

ARC has been initially **capitalized** by Germany and the UK (returnable capital) and the ARC member states. G7 member states in 2015 together committed to provide USD 200 million. Building on this commitment and the strong support shown by current ARC members, ARC as the **African Union's insurance arm** plans to step up its drought coverage of USD 190 million for the 2015/16 rainfall season

¹² See also <http://www.africanriskcapacity.org/2016/10/29/how-arc-works/> (29.12.2016)

¹³ See at <http://www.africanriskcapacity.org/contingency-planning/> (15.1.2017)

to **USD 1.5 billion by 2020**, covering droughts, floods and cyclones in **30 high risk countries** to the benefit of more than **150 million vulnerable people**.

What are the general **challenges** ARC is facing in view of the MCII pro-poor principles?¹⁴

- **Capacity building** especially on modelling weather risks, developing contingency plans and dealing with risk finance remains an important issue, but ARC has successfully started to work on this.
- **Affordability** is highly dependent on premium financing, including to subsidize premiums, which is not yet very popular in the international donor community. Also most governments of ARC member countries haven't shown yet enthusiasm to subsidize premiums by allocating resources from their own national budgets. Smart premium support, however, is a prerequisite to make climate risk insurance work for the poor. Both ARC member countries and the donor community must engage more pro-actively on that.
- **Coordination with development partners**, in particular NGOs such as CARE, in the case of extreme events, is a necessity and could help to massively improve the embedment of insurance solutions in a broader risk management strategy to the mutual benefit of all partners involved. This also includes the important issue of aligning NGO support and operations with governments' contingency plans, particularly in cases where the government alone cannot absorb the pay-out, but could partner with NGOs. NGOs, in turn, may also consider to contribute to premium payments. In terms of lessons learnt it might be interesting for CARE to seek exchange with organizations like WFP, FAO and Oxfam, who have already gathered experience with ARC and R4 in Southern Africa. Going beyond the region, Lutheran World Federation and ACT Alliance for El Salvador and Action Aid for South Asia are possible sources of information.
- **Enabling environment:** Having social protection mechanisms in place (e.g. social safety nets) would help to foster resilience in case of emergencies, and can be combined with climate risk insurance. It is of crucial importance to consider climate risk insurance not as an alternative to social protection systems or disaster risk reduction, but as one out of more components of an integrated approach with the specific aim of compensating at least some residual loss and damage of rare but extreme events.

Overview of ARC pay-outs

Table 3: ARC pay-outs 2015-2016

Where	When	Payout in \$	Premium paid by country and total coverage in \$	Use of payout	Planned beneficiaries	Status quo	Sources
Senegal	2015	\$16.5 million	Combined premiums: \$8 Million Total coverage: \$129 million	Food distribution and subsidized sales of animal feed	~925,000 people ~ 570,000 cattle benefitting through subsidized sales of animal feed	<ul style="list-style-type: none"> • At the beginning, problems in getting insurance payouts through government spending systems and procuring food aid resulting in a delay of delivery to people on the ground • Procurement processes for animal feed completed 	1, 2, 4

¹⁴The following considerations are mainly based on Schäfer/Waters 2016, p. 191

						<ul style="list-style-type: none"> with 6 local companies to provide 14,180 MT 100% of animal feed delivered to distribution points for subsidized sales 	
Mauritania	2015	\$6,3 Million		Food distribution to families in food insecure areas where livelihoods have been negatively affected	250,000 people March: Identification of 50,000 households (hh) that were provided with distribution cards (average 5 people per hh)	<ul style="list-style-type: none"> March: Procurement of 11,000 MT of rice from local suppliers completed Started in April Distribution to beneficiaries started in April 2015 and was completed shortly after Ramadan 	1,2
Niger	2015	\$3.5 Million		Conditional cash transfers and food distribution support in drought-affected regions of the country	157,000 people	<ul style="list-style-type: none"> At the beginning, problems in getting insurance payouts through government spending systems and procuring food aid resulting in a delay of delivery to people on the ground 15 June 2015: Cash transfer program started, targeting 115,000 people Rice distribution to 42,000 people 	1, 2, 4
Malawi	2016	\$8.1 Million	Premium: \$4.7 Million Total coverage: \$30 Million	Final implementation plan determining the usage of the payout in preparation	no information available yet	no information available yet	3, 5

Sources

1 -ARC 2015: African Risk Capacity's 2015 payouts: At least 1.3 million people set to benefit 2015. Available at: https://unfccc.int/files/cooperation_and_support/financial_mechanism/standing_committee/application/pdf/payouts_and_successes.pdf [20.12.2015].

2 - Insurance Journal 26.01.2015: African Risk Capacity Payouts to Exceed \$25 million. Available at: <http://www.insurancejournal.com/news/international/2015/01/26/355319.htm> [20.12.2016].

3 - ARC 2016: PRESS RELEASE – Malawi to receive USD 8M insurance payout to support drought-affected families. Available at: <http://www.africanriskcapacity.org/2016/11/14/press-release-malawi-to-receive-usd-8m-insurance-payout-to-support-drought-affected-families/> [20.12.2016].

4 - Rowling, Megan 2015: Africa's climate insurance scheme expands, eyes aid agency clients. Available at: <http://uk.reuters.com/article/us-africa-insurance-climatechange-idUKKCN0PJ22420150709> [20.12.2016].

5 - Insurance Day 04.11.2015: Malawi secures \$30m drought cover through African Risk Capacity. Available at: https://www.insuranceday.com/ece_incoming/malawi-secures-30m-drought-cover-through-african-risk-capacity.htm [20.12.2016].

ARC and climate risk insurance coverage in selected countries

This chapter provides a brief overview on climate risk insurance approaches that are applied in Madagascar, Malawi, Mozambique, Zambia, Zimbabwe and Tanzania. In countries where ARC has entered the stage of implementation and where operations plans are already agreed and published, the embedment of ARC in the broader national food security policy is analyzed and an assessment is provided in how far ARC covers the climate risk of small-scale peasants, farmers and/or food producers particularly of female farmers. In cases where ARC implementation still is in a very initial stage, or where other climate risk insurance instruments are used, the country analysis has the character of an initial stock-take.

The country assessments conclude with policy recommendations, how CARE could take up key political challenges of national climate risk insurance approaches and include it into CARE's Southern Africa Regional Advocacy Strategy.¹⁵

Table 4: Climate risk insurance status per country

Country	ARC member	Operations Plan published	Risk Pool 2014/15	Risk Pool 2015/16	Risk Pool 2016/17	Other climate risk insurance	Risk insurance included in (I)NDC
Madagascar	Yes (2014)	No	No	No	Yes	-	No
Malawi	Yes (2012)	Yes	No	Yes	No	R4	Yes
Mozambique	Yes (2012)	Yes	No	No	No	-	Yes
Tanzania	No	No	No	No	No	ACRE	Yes
Zambia	Yes (2016)	No	No	No	No	R4	Yes
Zimbabwe	Yes (2012)	Yes	No	No	Yes	-	Yes

Country case study on ARC's contingency planning for Malawi

Framework conditions in Malawi

Problems with drought

In Malawi, droughts and dry spells are common hazards for most vulnerable households. The agricultural sector employs 80% of Malawi's population and constitutes 40% of the country's economy, with smallholder farming and rain-fed maize production in particular (Syroka/Nucifora 2010). Maize is the key ingredient for the Malawian diet; it comprises over 50% of total consumed calories (ibid), which indicates a problematic dependence. For the past ten years, Malawi has experienced episodes of prolonged dry spells and catastrophic droughts, followed by poor agricultural seasons, leading to low economic growth and chronic food insecurity of many households (Government of Malawi 2015). This challenge is due to and compounded by the fact that climate change is significantly increasing the risk of drought.

Existing food, nutrition, climate adaptation and disaster management policies in the country

Agriculture and nutrition are key national policy priorities in Malawi. As a means to improve food security, several food and nutrition policies are in place. The National Nutrition Committee leads coordination on nutrition related policies, mobilizes resources and supports the implementation of interventions. To deal with the risks of droughts and other disasters, Malawi has also put several disaster risk management policies in place. The Disaster Preparedness and Relief Act from 1991 gives mandate to

¹⁵ See CARE Southern Africa Regional Advocacy Strategy. Food and nutrition security & climate change resilience 2016-2020

the Department of Disaster Management Affairs as the institution responsible for dealing with disasters. In 2015, Malawi submitted its INDC to UNFCCC (Government of Malawi 2015). It includes issues of adaptation and community resilience, paying particular attention to the vulnerable groups and sectors. The priority sectors and thematic areas identified (based on national development priorities) include agriculture (crops, livestock, fisheries), land-use planning, disaster risk management, and gender. The development of financial mechanisms to support crop insurance targeting smallholder farmers is listed as one intended policy for the agricultural sector. In the same year, Malawi approved its National Climate Change Investment Plan (NCCIP) (GoM 2015b). It aims at increasing climate change investments in Malawi and identifies "inadequate capacity in macro and micro weather insurance programs" as one of Malawi's climate change challenges and investment gaps. Accordingly, the exploration and implementation of Micro Weather Insurance Programs is one activity of the plan (ibid, p. 101). In 2016, Malawi approved its first National Climate Change Management Policy (NCCMP) under the leadership of the Ministry of Natural Resources, Energy and Mining. The overall goal of the policy is "to promote climate change adaptation and mitigation for sustainable livelihoods through measures that increase levels of knowledge and understanding and improve human well-being and social equity, while pursuing economic development that significantly reduces environmental risks and ecological scarcities" (GoM 2016). In its first priority area "Adaptation", the plan aims at ensuring "that social protection policies and disaster-response strategies and actions take into account medium and long term coping and adaptation measures in disaster". Neither the NCCMP, nor the NCCIP and INDC are explicitly linked to the ARC Operations Plan.

A major challenge for Malawi in dealing with disasters is the national budget process, starting shortly after the end of the agricultural season, making it difficult to plan for emergencies. Table 5 provides an overview of most relevant policies.

Table 5: Existing disaster management, climate adaptation and food and nutrition policies in Malawi

Year	Policy (Description)
1991	Disaster Preparedness and Relief Act Established the civil protection committees at district and community levels in order to assist in achieving effective response operations
2007	Food and Nutrition Security Policy + National Nutrition Policy and Strategic Plan
2008	Malawian National Drought Insurance
2009	Infant and Young Child Nutrition Strategy 2009 – 2014
2012	The Malawi Growth and Development Strategy (MGDS) 2012-2016 Theme 3, "Social Support and Disaster Risk Management" aims at developing an integrated early warning system and implementing mitigation measures in disaster-affected areas. Main instrument: annual national contingency plan for Malawi.
2015	National Disaster Risk Management Policy
2015	National Climate Change Investment Plan
2016	National Climate Change Management Policy

State of implementation of the ARC in Malawi

Malawi has been part of the ARC process from the very beginning. It was one of 18 countries that signed the ARC Establishment Agreement on 23 November 2012. Malawi was the first country to formalize its engagement with the ARC Agency by signing a Memorandum of Understanding (MoU) on 30 August 2012. The country was part of the second risk pool covering the 2015/16 rainfall season. For a premium of USD 4.7 million the country purchased a parametric drought insurance policy from ARC Company, which would provide up to USD 30 million coverage depending on the extent of a drought. After problems with the ARC drought model had been solved, a pay-out of USD 8.1 million was approved by ARC in November 2016. The processes that led to this outcome are described below.

Procedures and process under ARC in Malawi

After signing the MoU in 2012, Malawi was one of the first six countries to submit a Certificate of Good Standing (CoGS) application as key step to gain ARC eligibility at the end of July 2013 (together with

Kenya, Mauritania, **Mozambique**, Niger and Senegal). The preparation process followed the standard ARC procedure and included the identification of Disaster Risk Management (DRM) stakeholders in the country, education/[training]of key officials on the insurance mechanism, the review of existing DRM contingency planning to understand how ARC financing might fit into larger country wide risk financing mechanisms, the customization of the Africa RiskView, as well as convening a multi-ministerial and multi-stakeholder Technical Working Group (ARC 2016). Those steps helped to prepare the information required for the CoGS application and the development of an Operations Plan (OP) (Kimetrica 2014). The documents provided by Malawi were reviewed by the ARC Technical Review Committee which required the country to implement its recommendations how to improve the OP. To meet the ARC eligibility criteria, Malawi was also required to submit additional information on how the country plans to meet the ARC contingency planning principles (time sensitive and/or catalytic, livelihood savings, duration). After receiving the CoGS, Malawi joined the Second ARC Risk Pool covering the 2015/2016 rainfall season. The terms of the insurance policy determined that a payment would be triggered if more than 1.39 million people were affected by a drought (The Economist 2016). In an interview for the magazine 'Insurance Day', Malawi's vice-president Saulos Chilima stated that Malawi has taken out the policy as part of a comprehensive effort to address food insecurity in the country after flooding and dry spells had a negative impact on agricultural production in the 2014/15 growing season (Insurance Day 2015).

In 2015, the country experienced a drought followed by a poor agricultural season. President Peter Mutharika declared a state of emergency due to food shortages and, according to an assessment by the Government of Malawi (GoM) and other international agencies like the World Food Programme, 6.5 million people were in need of aid (ARC 2016b). However, the ARC insurance policy did not trigger a pay-out as the number of people affected by the drought indicated by the model was too low (only 21,000 according to the ARC's drought model, the Africa RiskView) (ibid). By investigating the discrepancy between the drought model and the country assessment, ARC found that while the Africa RiskView worked properly, correct data was missing to make appropriate and realistic assumptions when customizing the model. Household surveys shed light on a why this may have occurred: Farmers had shifted to planting a different type of maize with a shorter growing period than the crop used in the Malawi model for the trigger and the "rainfall pattern in 2015/16 was particularly unfavourable to the shorter cycle maize" (ibid). ARC corrected the crop assumption in the Africa RiskView model, which resulted in the triggering of a pay-out of USD 8.1 million. As a precondition for receiving an actual pay-out by ARC Ltd., Malawi specified the type of interventions (incl. budget and timeline) they intended to deploy in a Final Implementation Plan (FIP). The FIP is now (Dec. 2016) in the final stage of approval by the ARC Agency Board. Following the pay-out, Malawi will be required to submit monthly implementation reports that monitor the spending of ARC funds in the country. No information on the FIP or the implementation reports is available yet. Moreover, it is still unclear if Malawi is going to buy another ARC policy for the 2016/17 growing season. The GoM already indicated that it has to rethink the process due to challenges in the pay-out process.

Table 6: Overview of relevant ARC processes in Malawi

Date	Process
30 August 2012	Malawi signs ARC MoU
23 November 2012	Malawi signs the ARC Establishment Agreement
July 2013	Application for Certificate of Good Standing
After July 2013	Malawi is required to submit additional information to meet the eligibility requirements
2014	Accomplishment of "Certificate of Good Standing" including an Operations Plan
May 2015	Purchase of drought insurance coverage for season 2015/2016 USD 4.7 m premium
Mid 2016	Drought followed by poor agricultural season, state of emergency declared ARC index not triggered
Mid 2016	ARC investigations in discrepancy of ARC model and country drought assessment

November 2016	ARC pay-out of USD 8.1 m approved
December 2016	Development and submission of Final Implementation Plan which is in final stage of approval
From time of pay-out onwards	Monthly implementation reports

Analysis of Malawi's Operations Plan

The following analysis focuses on interventions, activities, processes and structures described in Malawi's OP. Due to the current lack of information on the FIP and the actual implementation process, the analysis needs to be repeated once the required information is available to assess if and how planning was translated into practice.

Table 7: Assessment results of Malawi's Operations Plan under the African Risk Capacity

Category	Summary of analysis results
1. Nutrition-sensitivity and targeting of women	Malawi's OP provides for nutrition-specific interventions in the event of an ARC pay-out by choosing targeted food and cash distribution as well as unconditional cash - transfer based on a monthly emergency food ratio as interventions. In doing so, the plan gives special priority to women, in particular pregnant and lactating mothers and female-headed households, aiming for 50% female designated recipients for cash and food.
2. Comprehensive, needs-based solutions	<p><i>2.1 Are risk, needs and context assessments conducted to identify the real needs of vulnerable communities with regard to climate risk management?</i> The OP is based on an already existing risk- and needs assessments which is used to determine the key target groups of the plan. However, no specific needs assessment with the selected target group of the OP was conducted. Their needs will be assessed in the event of a pay-out in order to adjust the FIP estimates regarding the number of vulnerable people targeted and how ARC funds will be allocated. This timing, which doesn't allow for longer term planning, will make it challenging to address needs that deviate from the general assessment.</p> <p><i>2.2 Is the OP embedded in the national/local context and policies?</i> Malawi's OP is embedded into the country's risk management policies, in particular the Growth and Development Strategy from 2012. The OP's interventions will complement the Strategy's annual contingency plan. Linkages to national food and nutrition policies could not be found. The interventions described in the OP build on existing structures and partners as well as lessons learned from past interventions during droughts. An ARC pay-out would be used to scale up the Social Cash Transfer Programme (SCTP) or for cash and food transfer where similar assistance has been provided by WFP in coordination with the Department of Disaster Management Affairs (DoDMA) and implementing NGOs in 2013 and 2014.</p> <p><i>2.3 Is the OP linked to ex-ante climate risk management strategies that place priority on preventing and reducing losses and damages?</i> To make people more resilient, the OP places priority on helping people to absorb shocks, not on reducing and preventing drought risks. While the SCTP has a mechanism for creating referrals and linkages to other social services to maximize the potential benefits of the program on beneficiaries (e.g. training extension workers conducting social service mapping, developing seasonal calendars) linkages to preventive activities are not described. No information is provided on potential linkages of the OP to other risk management strategies and preventive measures.</p>
3. Participation	<i>3.1 Are relevant stakeholders meaningfully involved in the design, implementation and monitoring of the contingency planning?</i> Community representatives and local NGOs are actively involved in the design, implementation and monitoring of the contingency planning. The Operations Plan clearly outlines roles and responsibilities of different actors for the implementation process, following the Manual Guidelines

	<p>for the Provision of General Food Distributions during Emergency Programmes in Malawi.¹⁶ The Guideline requires participation of the affected community in the identification of beneficiaries, which the OP puts into practice through a needs-assessment shortly before the pay-out and the involvement of district councils and community committees in the targeting of beneficiaries. Moreover, the guidelines require the participation of NGOs at the district level in organising the food distribution, undertaking on-site and post-distribution monitoring, as well as informing authorities on progress and difficulties. As the pay-out for Malawi was only approved recently, it is not possible to assess if the Guideline is actually followed during the implementation process and to determine the degree and quality of participation.</p> <p><i>3.2 Does the OP foster the participation of women in contingency planning?</i> Although the OP gives special attention to women as a target group, the inclusion of women in the afore mentioned processes is not specified.</p>
<p>4. Transparency and Accountability</p>	<p><i>4.1 Transparency and accountability of design and implementation processes:</i> Malawi's OP contains information on how the funds will move from the national account (a designated ARC account in the case of Malawi) to the regions. ARC funds will flow in two budget lines - to the Ministry of Agriculture, Irrigation and Water Development and to the Department of Disaster Management Affairs. Checks are introduced to track funding flows through the government systems. However, checks will be mainly done by the DoDMA, the department that coordinates the monitoring of the implementation process and receives funds itself.</p> <p>The OP includes the option to channel ARC funds directly to the supported programs and not through the government systems, recognizing the loss of confidence in Malawi's governance systems by development partners. However, no information is provided on the process behind this option.</p> <p><i>4.2 Does an effective monitoring and evaluation framework to ensure that the interventions reach the intended target group exist?</i> The OP includes a monitoring plan for both interventions during and after the pay-out. It includes analysing the targeting and beneficiary verification, distribution processes, access to good, as well as utilization and satisfaction. Data is collected from multiple sources (e.g. implementing NGOs and international organisations) and local institutions (district team and the community) play an active role in the process. However, the monitoring is conducted by institutions directly involved in the implementation process - an independent actor should help to ensure that monitoring is not influenced by subjective interests. Moreover, Malawi, with the support of ARC, needs to make sure that the local institutions have sufficient capacities to play a role in the monitoring process, that they are able to provide high quality information, and that a budget is available for monitoring activities. Moreover, during an independent review of ARC's contingency planning process, it was revealed that countries struggled with the actual implementation of the M&E process, in particular with showing "a clear link between the indicators defined in the log-frame; how they will, in practice, be collected, stored, and calculated; and whether there is a corralled budget to do so" (Kimetrica 2014). In Malawi, a defined requirement of the type of reporting the implementing NGOs need to provide was missing. Hence it was not clear, if all ARC-specific indicators could be covered (ibid). We have to note that the review was conducted already in 2014 and due to limited time for this study we could not follow up with the countries if the problem has been solved. We can clearly remark, however, that the OP thus far does not include an evaluation process to determine the longer-term effects of interventions on food security and resilience for the beneficiaries. We also could not find information on a "complaints mechanism" like in Zimbabwe.</p>

¹⁶ Manual for the Provision of General Food Distributions during Emergency Programmes in Malawi, Joint Emergency Food Aid Programme (JEFAP) 2003. Available at: <http://reliefweb.int/report/malawi/manual-provision-general-food-distributions-during-emergency-programmes-malawi> (15.12.2016)

<p>5. Accessibility</p>	<p><i>5.1 Will support measures reach the most vulnerable?</i> Malawi tries to achieve accessibility for its interventions through using existing structures and beneficiaries of the SCTP. The country is using village-cluster pay points and community meetings for information of the beneficiaries. Moreover, it is exploring electronic payment systems. Post distribution monitoring will assess whether there are barriers for accessing the food or cash. However, the OP provides no information on how payments would be made accessible to people or groups living in remote areas that are not within walking distance to village-cluster pay points.</p>
<p>6. Sustainability</p>	<p><i>6.1 Does the OP incentivize risk reduction and prevention?</i> The OP is part of the countries coping strategy in case of a drought disaster, trying to support people in absorbing shocks. It does not provide for nor is linked to any measures to help people reduce or prevent the risk of drought.</p> <p><i>6.2 Does the OP prevent incentives for practices that are not environmentally sustainable?</i> The OP prioritizes the procurement of non-genetically modified organism maize from local and national markets. Only in the event of a severe drought that would limit the availability of maize in country/region, maize would be procured from regional/international markets.</p>

Recommendations for CARE advocacy work on ARC's operations in Malawi

Based on the preceding analysis of Malawi's OP, the following recommendations on how CARE can influence the ARC implementation process to respond to the food and nutrition security of the most vulnerable people, in particular women, can be derived:

1. **Independent monitoring:** Support the monitoring of the recent pay-out as an independent entity, in particular to track if women as a special focus group of the OP are actually reached by the interventions. Conduct an analysis of the Final Implementation Plan and the implementation procedures at local level based on MCI's Pro-Poor Principles for Climate Risk Insurance.
2. **Participation of women:** Help to foster the involvement of women in the ARC contingency planning process, in the design, implementation and monitoring phase. Make sure that needs assessments sufficiently include women to capture to their specific needs.
3. **Long-term impacts:** Analyze long-term impacts of the ARC pay-out in Malawi on food security and the resilience of the beneficiaries. Currently, there is no tool under ARC to evaluate those long-term impacts.
4. **Increased participation of civil society and beneficiary communities:** Raise awareness of Malawi's ARC participation in the CSO-community and in high-at-risk communities. Foster the participation of NGOs and beneficiary communities in the implementation of Malawi's final implementation plan and the M&E of the activities. Actively demand a real time "complaints mechanism" for Malawi to be developed.
5. **Linkages to national policies and processes and comprehensive approach:** The GoM doesn't describe how the interventions of the contingency plan might be used to supplement a potentially larger response to drought and to resilience building, nor does it describe how the OP activities respond to the National Climate Change Policy. Support the government to link the OP to existing food and nutrition policies, incl. relevant climate-related adaptation policies, by identifying synergies and complementarities. Moreover, foster a closer linkage of the OP with efforts to reduce the vulnerability and risk of beneficiaries as part of a more comprehensive approach to reduce poverty and vulnerability.
6. **Capacity building:** Malawi, with the support of ARC, needs to make sure that the local institutions have sufficient capacities to play a role in the monitoring process, that they are able to provide high quality information, and that a budget is available for monitoring activities. Actively demand these capacity building activities from ARC and insurance providers.

Country case study on ARC's contingency planning for Zimbabwe

Framework conditions in Zimbabwe

Problems with drought

In Zimbabwe, drought is the most common hazard, accounting for six out of ten major disasters between 1982 and 2011 (World Food Program 2016). 85% of Zimbabwe's land is used for agricultural purposes - more than half of the country's population depends on rain-fed agriculture (Government of Zimbabwe 2015). Recurring droughts are one of the key factors for food insecurity (ibid). The Zimbabwe Vulnerability Assessment Committee estimates that 42% of the rural population (4.1 million) will be food insecure during the period from January to March 2017 (USAID 2016). This challenge is due to and compounded by the fact that climate change is significantly increasing the risk of drought.

Existing food, nutrition and disaster management policies in the country

Zimbabwe's response to catastrophic droughts is guided by the Civil Protection Act of 1989, coordinated by the Minister responsible for Local Government Rural and Urban Development. The Department of Civil Protection, housed under the Ministry of Local Government, Public Works and National Housing, coordinates all relevant disaster management stakeholders. It also administers the national civil protection fund, which receives money from the Government of Zimbabwe (GoZ). The GoZ is currently in the process of developing a Disaster Risk Management (DRM) Strategy to replace the Act (a disaster mitigation strategy has already been drafted).

In 2013, the GoZ introduced the National Food and Nutrition Security Policy to harmonize sectoral plans and programs. However, a comprehensive food security early warning system does not exist in Zimbabwe.

In 2015, Zimbabwe submitted its INDC to UNFCCC, seeking to "build resilience to climate change whilst ensuring sustainable development in recognition of its climate change vulnerability and national circumstances" (GoZ 2015). The contribution identifies rainfall as most critical climate component and agriculture, forestry, energy, tourism and industry as most vulnerable sectors. In building resilience in managing climate related disaster risk such as droughts, Zimbabwe in its INDC to promote climate index insurance solutions. However, an explicit link to the ARC could not be found.

As in other African countries, a major challenge in dealing with drought disasters is the Government budget cycle which is already completed in November, too early to take measures in case a bad season occurs. Table 1 provides an overview of most relevant policies in Zimbabwe.

Table 8: Existing disaster management, climate adaptation and food and nutrition policies in Zimbabwe

Year	Policy (Description)
1989	Civil Protection Act
	Establishment of a National Civil Protection Fund
2010	Food Deficit Mitigation Strategy
2013	National Food and Nutrition Security Policy

State of implementation of the ARC in Zimbabwe

Zimbabwe has been part of the ARC process from the very beginning. It was one of 18 countries that signed the ARC Establishment Agreement on 23 November 2012, establishing ARC as a specialized agency of the African Union. Zimbabwe signed the Memorandum of Understanding (MoU) with ARC on 25 February 2013 but due to financial constraints didn't purchase an ARC policy yet.

Procedures and process under ARC in Zimbabwe

After formalizing their ARC engagement through signing the MoU, Zimbabwe started carrying out activities that are prerequisite for receiving the Certificate of Good Standing (CoGS), reflecting the country's ability to "link ARC Company's pay-outs to time-sensitive, livelihood-saving and cost effective operations plans" (ARC 2016). This includes the refinement of the Africa RiskView software to make sure

that drought-related food security events are accurately reflected, as well as selecting risk transfer parameters for ARC. Additionally, the country drafted an Operations Plan (OP) in 2015. However, Zimbabwe is currently facing fiscal constraints regarding the premium required for purchasing an insurance policy under the ARC risk pool 2016/17 and did not submit an application for the CoGS yet. The ARC Secretariat is presently analysing options to support countries, like Zimbabwe, with the premium payment.

Table 9: Overview of relevant ARC processes in Zimbabwe

Date	Process
23 November 2012	Zimbabwe signs the ARC Establishment Agreement
25 February 2013	Zimbabwe signs the MoU
Since 2013	Preparation of information for the application for the Certificate of Good Standing Zimbabwe faces fiscal constraints for full participation in the ARC risk pool
2014	Development of an Operational Plan

Analysis of Zimbabwe's Operations Plan

The following analysis focuses on interventions, activities, processes and structures described in Zimbabwe's Operational Plan (OP). The analysis needs to be repeated once Zimbabwe purchased an ARC policy and received a pay-out.¹⁷

Table 10: Assessment results of Zimbabwe’s Operations Plan under the African Risk Capacity

Category	Summary of analysis results
1. Nutrition-sensitivity and targeting of women	Zimbabwe's OP provides for an intervention that aims at increasing food security through social cash transfer. In case of an emergency, the Harmonized Social Cash Transfer Program (HSCTP) would be scaled up by USD 5 per beneficiary per month. Eligible households receive bimonthly unconditional cash payments ranging between USD10-USD25 per month based on household size. It is unclear whether this small amount can actually contribute to improving the beneficiaries' food security. The HSCTP targets ultra-poor, labor constrained households, most of whom are farmers. An impact evaluation accompanied the program to learn its effects on recipients and provide evidence to be used in deciding the future of the program. This study finds that the Zimbabwe HSCT generates a total income multiplier of 1.73 in nominal terms with a confidence interval of 1.42 to 2.00. Each dollar of transfer has the potential to generate 1.73 dollars of total income within the project area (AIR 2013). As this study has already been conducted in 2013, an evaluation should be repeated to make sure that the HSCTP is still an effective tool to leverage an effective ARC payout. However, the OP gives no special attention to female farmers or women-headed households. No information is provided if the HSCTP addresses women in particular.
2. Comprehensive, needs-based solutions	<i>2.1 Are risk, needs and context assessment conducted to identify the real needs of vulnerable communities with regard to climate risk management?</i> Zimbabwe conducts annual needs assessments at harvest time (ZimVAC Rural Livelihood Assessments), including community interviews and structured household questionnaires. However, no specific needs assessment with the selected target group of the OP was conducted. <i>2.2 Is the OP embedded in national/local context and policies?</i> The OP interventions follow similar coordination and implementation mechanisms as those in Zimbabwe's national contingency plans (Government of Zimbabwe 2015, p.15). Clear linkages to other national policies cannot be identified. This might be due to the reason, that the intervention would not be managed and implemented by the country itself but

¹⁷ According to ARC information, Zimbabwe joined the third climate risk pool for the season 2016/17, and was expected to purchase an ARC insurance policy (see Reuters at www.reuters.com/article/africa-insurance-idUSL5N18N39H (27.12.2016)), but did not do yet, due to financial constraints.

	<p>by the international organization UNICEF. Nevertheless, regardless of who implements the payout, it should still be articulated how the OP would be linked with or coordinated with other policies and programs.</p> <p><i>2.3 Is the OP linked to ex-ante climate risk management strategies that place priority on preventing and reducing losses and damages?</i> Based on the existing information no linkages to ex-ante risk management strategies could be identified.</p>
3. Participation	<p><i>3.1 Are relevant stakeholders meaningfully involved in the design, implementation and monitoring of the contingency planning?</i> Although the OP explains that UNICEF would be responsible for implementing and managing the intervention, no information on the involvement of NGOs or other local actors during the design, implementation and monitoring process are provided. No roles and responsibilities for local actors are described in detail.</p> <p><i>3.2 Does the OP foster the participation of women in contingency planning?</i> Based on the information in the OP no information on the inclusion of women in the contingency planning process could be identified. We however note that for a HSCTP payout, only heads of the households would be informed where to receive the payment. This could be one hint that Zimbabwe's ARC activities lack a pro-active reflection of the gender component.</p>
4. Transparency and Accountability	<p><i>4.1 Transparency and accountability of design and implementation processes:</i> The OP does not sufficiently explain how funds would flow in a timely manner and can be tracked. The GoZ notes that until now, donor contribution funds for the program are directly managed by UNICEF. However, it remains unclear where the ARC payout would be transferred to, how the money would flow from the government account to the implementing partners and which checks are in place to ensure that the money reaches the beneficiaries. Clarifying these questions will be part of Zimbabwe gaining an ARC approval for their OP through meeting the contingency plan requirements. A positive signal is a "complaints mechanism" that Zimbabwe wants to try in form of a "tip-off-hotline". The hotline would record all complaints at district level and then forwarded to the program manager. This mechanism would directly empower beneficiaries to voice concerns that can then be investigated, rather than waiting to be asked as part of an evaluation by another party It is not described, however, how the mechanism would work in detail and who would address the complaints.</p> <p><i>4.2 Does an effective monitoring and evaluation framework to ensure that the interventions reach the intended target group exist?</i> The implementation of the intervention will be monitored by an external audit firm hired by the programme. The monitoring activity includes the verification of transfer in terms of timing, transferred amount and beneficiaries list. This would be completed by regular monitoring visits during the disbursement of funds, conducted by UNICEF in sampled pay points. However, it is insufficiently described where the monitoring information would be transferred to and who would be responsible for addressing challenges and needs for revision. Additionally, the OP thus far does not include an evaluation process to determine the longer-term effects of interventions on food security and resilience for the beneficiaries.</p>
5. Accessibility	<p><i>5.1 Will support measures reach the most vulnerable?</i> Zimbabwe tries to achieve accessibility for its intervention through using existing structures and beneficiaries of the HSCTP. The HSCTP provides regular and reliable cash payments to labour-constrained and food poor households in the 10 poorest districts in each of the country's 10 provinces. Before the distribution, a meeting with all beneficiaries would be organized by the District Social Welfare Officer to inform the heads of the households were to receive the payment, how to use the money and whom they should approach for complaints. The cash would be distributed through community cash points (private businesses like local shops) in walkable distance from the beneficiaries. The OP also considers households that might have difficulties travelling to the cash point - they can</p>

	<p>appoint a representative to get the payment for them. Moreover, the program includes mobile cash payments.</p> <p>In terms of timely accessibility of the payout for the beneficiaries, the process described in the OP for targeting in the event of an ARC payout seems very time-consuming and complicated and it is not clear whether it will only start when a payout is approved. Enumerators would visit all households in a respective ward to collect household data, interviewing around 15 households a day. The surveys then need to be send back to Harare to be entered into a targeting data bank.</p>
6. Sustainability	<p><i>6.1 Does the OP incentivize risk reduction and prevention?</i> The OP is part of the countries coping strategy in case of a drought disaster, trying to support people in absorbing shocks. It does not provide for or link with any measures to help people reduce or prevent the risk of drought.</p> <p><i>6.2 Does the OP prevent incentives for practices that are not environmentally sustainable?</i> The information contained in the OP provided no basis to assess this question. As Zimbabwe's OP focuses on cash transfer instead of food distribution questions with regard to local procurement and genetically modified corn not relevant.</p>

Recommendations for CARE advocacy work on ARC's operations in Zimbabwe

Based on the preceding analysis of Zimbabwe's OP, the following recommendations on how CARE can influence the process for ARC to respond to the food and nutritional security of the most vulnerable people can be derived:

1. **Involvement process:** Compared to other OPs, Zimbabwe's OP lacks information on the involvement of local actors/NGOs, communities and vulnerable groups, and civil society in all stages of the OP. Identify the existing involvement processes and support Zimbabwe in organizing a more transparent involvement of local stakeholders. Raise awareness of Zimbabwe's ARC participation in the CSO-community and in high-at-risk communities.
2. **Participation of women:** Foster the involvement of women in the ARC contingency planning, in the design, implementation and monitoring phase. Make sure that needs assessments sufficiently include women to capture their special needs and that women are included in meetings with beneficiaries.
3. **Linkages to national policies and processes:** The GoZ doesn't describe how the interventions of the contingency plan might be used to supplement a potentially larger response to drought and to resilience building. Support the government to link the OP to existing food and nutrition policies, incl. relevant climate-related adaptation policies, by identifying synergies and complementarities.
4. **Linkages to ex-ante activities:** Support Zimbabwe in better linking the OP intervention to activities which reduce and prevent the risk of drought, aiming at improving the long-term resilience of beneficiaries.
5. **Address transparency and accountability challenges:** Support Zimbabwe in clarifying where the ARC pay-out would be transferred to, how the money would flow from the government account to the implementing partners and which checks are in place to ensure that the money reaches the beneficiaries. This is crucial for ensuring donor comfort with the program.
6. **Improve payout process:** Support Zimbabwe in adjusting its OP to provide for an effective pay-out process, in particular by shortening the lengthy process to access payouts for the beneficiaries.

Country case study on ARC's contingency planning for Mozambique

Framework conditions in Mozambique

Problems with drought, floods and cyclones

Mozambique is an extremely disaster-prone country, ranking 180 out of 188 in the Human Development Index 2015 and listed as the most climate vulnerable country of the world, according to the Climate Risk Index for 2015 (World Food Program 2016c & Germanwatch 2016). 43% of the total population of 26.4 million is suffering from chronic malnutrition. The southern and central parts of Mozambique have been affected frequently by droughts and floods since 2000 (Government of Mozambique 2015), while the coastal area, where two thirds of the population live, is cyclone-prone. The harsh El Niño which hit the country in 2016, has caused severe drought, resulting in significant increases in acute food insecurity and extremely high staple food prices (maize, cassava). The number of food insecure people, relying on humanitarian assistance, is expected to increase from 1.4 million to 2.3 million between January and March 2017, when the lean season before the next harvest will reach its peak. Female small-scale farmers, who are the backbone of national staple food production, are particularly affected (WFP 2016c). The overwhelming majority of them are subsistence farmers.¹⁸

Existing food, nutrition, climate adaptation and disaster management policies in the country

Mozambique's disaster management policy was set up in 1999 and established by Decree 44180 the Co-ordinating Council for the Prevention and Combat of Natural Disasters, and its executive body, the Department for the Prevention and Combat of Natural Disasters (Government of Mozambique 1999). The disaster management policy puts particular emphasis on the incorporation of disaster management into national development policies, including the Government's Poverty Reduction Strategy (WFP 2016c),¹⁹ and follows a strategy which grants a key role to civil society, local level authorities and the empowerment of communities. The National Institute for Disaster Management and the Technical Secretariat for Food Security and Nutrition (TSFSN), with support of the WFP, are regularly undertaking risk analysis and mapping as well as food security assessments in the current El Niño situation (ibid).

Apart from the risk reduction component, the national drought response strategy is composed by direct food aid, nutrition and social protection elements. With regard to the latter, the ARC Operations Plan specifically focusses on two transfer schemes, namely "cash for work" and "food for work", which both come under the Productive Social Action Program ("Programa de Acção Social Productiva – PSAP), as a part of the National Basic Social Security Strategy (Government of Mozambique 2015, p.10).²⁰

In 2012, Mozambique established a National Climate Change Adaptation and Mitigation Strategy (NCCAMS) under leadership of the Ministry of Coordination of Environmental Affairs (MICOA), aiming at "increasing resilience in the communities and the national economy including the reduction of climate risks, and promoting a low carbon development and the green economy through the integration of adaptation and mitigation in sectoral and local planning" (Government of Mozambique 2016). In 2015, Mozambique submitted its INDC to the UNFCCC (ibid). It identifies drought, flood and cyclones as the main risks associated with climate change, and rain-fed agriculture and fisheries as the most vulnerable sectors. While the ARC Operational Plan (see below) is not explicitly linked to the NCCAMS, and the MICOA is not listed in the OP as a stakeholder for the OP implementation, the INDC in turn mentions the establishment of climate risk insurance as one out of eight adaptation needs (ibid, p.8)

Table 11: Existing disaster risk management, climate adaptation & food & nutrition policies in Mozambique

Year	Policy (Description)
1999	National Policy on Disaster Management
2007	Social Protection Law (Lei No. 4/2007)

¹⁸ See also <https://www.usaid.gov/mozambique/agriculture-and-food-security>

¹⁹ See also <https://www.imf.org/external/pubs/ft/scr/2011/cr11132.pdf>

²⁰ See also http://www.ipc-undp.org/pub/port/OP339PT_A_reforma_da_protecao_social_em_Mocambique.pdf

2010	1 st National Basic Social Security Strategy, including 1 st PSAP (“Programa de Acção Social Productiva”)
2012	National Climate Change Adaptation and Mitigation Strategy (NCCAMS)
2016	National Basic Social Security Strategy 2016-2024

State of implementation of the ARC in Mozambique

Mozambique has been part of the ARC process from the very beginning. It was one of 18 countries that signed the ARC Establishment Agreement, establishing ARC as a Specialized Agency of the African Union. Mozambique signed the Memorandum of Understanding (MoU) with ARC on 8 November 2012 but haven’t joined any ARC climate risk pool yet, probably due to financial constraints.

Procedures and process under ARC in Mozambique

After formalizing their ARC engagement through signing the MoU, Mozambique started carrying out activities that are prerequisite for receiving the Certificate of Good Standing (CoGS), reflecting the country's ability to "link ARC Ltd pay-outs to time-sensitive, livelihood-saving and cost effective operations plans". The Government of Mozambique, i.e. an inter-ministerial working group including amongst others representatives of the ministries for administration and for social action and women, and coordinated by the National Technical Council for Disaster Management (CTGC), drafted an Operations Plan (OP) in 2014/15. However, Mozambique has not yet joined any ARC risk pool and hence cannot purchase an ARC policy.

Table 12: Overview of relevant ARC processes in Mozambique

Date	Process
25 February 2012	Mozambique signs the MoU
23 November 2012	Mozambique signs the ARC Establishment Agreement
Since 2013	Preparation of information for the application for the Certificate of Good Standing
2014/15	Development of an Operational Plan

Analysis of Mozambique’s Operations Plan

The following analysis focuses on interventions, activities, processes and structures described in Mozambique's Operational Plan (OP). It should be updated once Mozambique joins the ARC Risk Pool, purchases an ARC policy and receives a pay-out.

Table 13: Assessment results of Mozambique’s Operations Plan under the African Risk Capacity

Category	Summary of analysis results
1. Nutrition-sensitivity and targeting of women	<p>Mozambique's OP provides on the one hand for an intervention that aims at increasing food security through cash and food for work. In case of a pay-out, the Productive Social Action Program (PSAP) would be scaled up for four months. 430 382 beneficiaries would earn about USD 9 per month, or the food equivalent. It is questionable if this amount would ensure their food security, given that the minimum food basket cost per person is currently calculated with USD 3 a day.²¹</p> <p>Mozambique’s OP provides on the other hand for an intervention that aims at increasing food security through direct food aid, targeting most food-insecure households, caused by drought, including in particular women (approximately 190 273 persons in total), for a period of 4 months (2231 kcal/day/person)</p> <p>The PSAP targets most vulnerable households, identified by local authorities and/or community leaders, based on food security assessments conducted by TSFSN. It is questionable in how far women in female-headed households find the time to participate in public work programs. Through the second component of direct food aid, also covered by ARC, this gap might be partly closed.</p>

²¹ See at https://www.numbeo.com/food-prices/country_result.jsp?country=Mozambique&displayCurrency=EUR (15.1.17)

	<p>A third component, according to the OP, aims at providing seeds to 84 500 beneficiaries. This component is complementary to disaster relieve work and supports the rehabilitation of drought affected households.</p> <p>Altogether, however, the number of persons which would be reached through the three components described in Mozambique’s OP is significantly lower than the number of persons suffering from acute food insecurity during the current El Niño emergency, according to WFP’s estimations (see above).</p>
<p>2. Comprehensive, needs-based solutions</p>	<p><i>2.1 Are risk, needs and context assessment conducted to identify the real needs of vulnerable communities with regard to climate risk management?</i> Mozambique through the Technical Secretariat for Food Security and Nutrition (TSFSN), with support of the WFP, in co-operation with local authorities and community leaders, and under supervision of the National Institute for Social Action (INAS), conducted a risk and vulnerability assessment. This included community interviews and structured household questionnaires. A coordination with the National Institute for Disaster Management, presiding the National Technical Council for Disaster Management seems to be given, at least at national level. Therefore the linkage with the risk reduction component of drought response is envisaged.</p> <p><i>2.2 Is the OP embedded in national/local context and policies?</i> The OP interventions seem to be embedded in the national basic social security strategy. Linkages with the nutrition, health and agriculture policies seem to be given as well.</p> <p><i>2.3 Is the OP linked to ex-ante climate risk management strategies that place priority on preventing and reducing losses and damages?</i> Based on the existing information no linkages to ex-ante risk management strategies could be identified.</p>
<p>3. Participation</p>	<p><i>3.1 Are relevant stakeholders meaningfully involved in the design, implementation and monitoring of the contingency planning?</i> According to the OP, multiple stakeholders should be included in the design, implementation and monitoring of the contingency planning, including community leaders. The OP also includes the description of roles and responsibilities. NGOs, apart from WFP are not mentioned and it remains unclear, who is meant by “community leaders”.</p> <p><i>3.2 Does the OP foster the participation of women in contingency planning?</i> Based on the information in the OP no information on the inclusion of women in the contingency planning process could be identified.</p>
<p>4. Transparency and Accountability</p>	<p><i>4.1 Transparency and accountability of design and implementation processes:</i> The OP explains that the pay-out would be channelled through the Ministry of Finance and that the National Technical Council for Disaster Management (CTGC) would be in charge to approve all activities of the various governmental institutions involved. Financial transactions would be co-ordinated by the National Institute for Disaster Management, which would finally report to and be accountable to ARC. The OP also includes a time planning, according to which it would take 8 to 13 weeks to deliver aid, counted from the pay-out date. It is envisaged to include local NGOs in the implementation of the support measures.</p> <p><i>4.2 Does an effective monitoring and evaluation framework to ensure that the interventions reach the intended target group exist?</i> The implementation of the three intervention components would be monitored by the National Institute for Disaster Management, which would report to ARC on a monthly basis. The final audit would be done by the “Tribunal Administrativo” or the Inspector-Geral de Financas, in accordance with ARC auditing standards. The monitoring activity includes the verification of transfer in terms of timing, transferred amount and beneficiaries list.</p>

<p>5. Accessibility</p>	<p><i>5.1 Are the support measures accessible for the most vulnerable?</i> Mozambique tries to achieve accessibility for its intervention through using existing structures and beneficiaries of its social safety nets. Cash distribution is planned to take place through existing financial distribution channels, which are not further specified. Food aid distribution would be organized through four regional distribution centers, which seems to be a very small number in view of the large size of the country (similar to Turkey). Possible access problems are explicitly addressed in the OP, including the fact that the “cash for work” program as such is still in an initial stage, and may not function appropriately in case of a pay-out. Regarding food aid, the support of the WFP is mentioned as an important means to implement the intervention. The OP needs to be more specific on these important access challenges. This is in particular relevant to ensure timely accessibility of the pay-out for the beneficiaries in remote areas.</p>
<p>6. Sustainability</p>	<p><i>6.1 Does the OP incentivize risk reduction and prevention?</i> The OP is part of the countries coping strategy in case of a drought disaster, trying to support people in absorbing shocks. It does not provide for any measures to help people reduce or prevent the risk of drought.</p> <p><i>6.2 Does the OP prevent incentives for practices that are not environmentally sustainable?</i> The information contained in the OP provided no basis to assess this question.</p> <p><i>6.3 Is the OP embedded in the country’s climate adaptation strategy?</i> The OP is not referring to the National Climate Change Adaptation and Mitigation Strategy (NCCAMS). In turn, the INDC is listing climate risk insurance as an important adaptation need. Climate risk insurance should be embedded in the National Adaptation Plan (NAP), which is currently under development.</p>

Recommendations for CARE advocacy work on ARC’s operations in Mozambique

Based on the preceding analysis of Mozambique’s OP, the following recommendations on how CARE can influence the process for ARC to respond to the food and nutritional security of the most vulnerable people can be derived:

1. **Accessibility and affordability:** Mozambique’s OP is comparatively broad with its three components, which is a good approach (i) to coherently embed it into existing policies and programs, and (ii) to reach different target groups. However, as the current drought shows, the intended coverage is still by far too small to reach all severely affected people in need. It needs to be scaled up. But even the given scale seems to be unaffordable for the country. Identify the gap and support Mozambique in developing options and negotiate with international partners ways to support the premium payment.
2. **Participation of women:** Help to foster the involvement of women in the ARC OP & contingency planning, in the design, implementation and monitoring phase. Make sure that needs assessment sufficiently include women to capture their special needs.
3. **Linkages to national policies and processes:** The Government of Mozambique doesn't describe how the interventions of the contingency planning might be used to supplement a larger response to drought or other risks, that deepen vulnerability and poverty. Support the government to link the OP to other existing food and nutrition policies, by identifying synergies and complementarities. Also advocate for embedding the OP and climate risk insurance in general in the national climate strategy NCCAMS and make it part of the NAP, which is currently under development.
4. **Linkages to ex-ante activities and sustainability frameworks:** Support Mozambique in better linking the OP intervention to activities which reduce and prevent the risk of drought and other disasters, aiming at improving the long-term resilience of beneficiaries.

Country case study on Madagascar

Framework conditions in Madagascar

Problems with drought, flood and cyclones

Madagascar is among the ten countries most vulnerable to natural disasters²² and kept the eighth position in the Climate Risk Index for 2015 (Germanwatch 2016). A quarter of the population – 5 million people – live in areas highly prone to cyclones, floods or drought. While Madagascar experienced the worst torrential rainfalls since years in 2014/15, the southern region suffers from recurrent drought, currently aggravated by El Niño. According to a joint assessment by the Ministry of Agriculture, the UN Food and Agriculture Organization and WFP from September 2016, 1.2 million people from the south are food insecure, with 600,000 severely food insecure.²³ In this region, 70-80% of the 2015/16 maize crop was destroyed (WFP 2016). Country-wide, 12% of the rural population, i.e. 1.2 million people are considered chronically food-insecure. Most of them are rain-fed-small-scale subsistence farmers, leaving from less than 1.2 ha. At the same time, they form the backbone of the Malagasy economy.

Existing food, nutrition, climate adaptation and disaster management policies in the country

Political instability is currently undermining the country's capacity to respond to climate change and the corresponding humanitarian and development problems. People's access to basic services and their ability to prevent and recover from frequent shocks has also decreased.

Madagascar's response to food insecurity, poverty, and disasters, including effects of climate change, is laid down in a series of policies, laws, and action plans (see table 14), which have been developed over the last ten years. Mainstreaming food security and disaster risk reduction in national development planning has been mentioned as a recurring strategy and losses caused by droughts, floods and cyclones are being considered as one of the major obstacle to sustainable development and overcoming poverty and hunger (see for instance Government of Madagascar 2014, p.113). Improving climate resilience and the development of a National Adaptation Plan are also mentioned as priorities in Madagascar's Intended Nationally Determined Contribution, as submitted to the UNFCCC.²⁴

However, climate risk insurance, and the African Risk Capacity in particular, are not yet mentioned in any of these policies, strategies and action plans, as a possible risk transfer intervention.

The national climate change policy (Politique Nationale de Lutte Contre le Changement Climatique), led by the Ministry for the Environment, as well as Madagascar's First Nationally Determined Contribution, as included in the UNFCCC interim NDC registry, are both highlighting increasing floods and droughts, as well as cyclones, as the main hazards associated with climate change, with a severe potential to undermine food security. While climate smart agriculture is particularly highlighted as a key adaptation strategy, no reference is made to climate risk insurance, neither in the climate change policy nor in the NDC.

Table 14: Existing food security, climate adaptation & disaster management policies in Madagascar

Year	Policy
2012	Plan National d'Action pour la Nutrition
2014	Stratégie Nationale de Gestion des Risques
2015	Plan National de Développement 2015-2019
2015	Loi no. 2015-031, Politique Nationale de Gestion des Risques et de Catastrophes
N.D.	Politique Nationale de Lutte Contre le Changement Climatique

²² See <http://www.wfp.org/Countries/Madagascar>

²³ See <http://www.wfp.org/Countries/Madagascar>

²⁴ See at <http://www4.unfccc.int/ndcregistry/PublishedDocuments/Madagascar%20First/Madagascar%20INDC.pdf>

State of implementation of the ARC in Madagascar

Madagascar signed the Memorandum of Understanding and joined the ARC on 31 January 2014. Madagascar is listed by ARC as one of the potential members of the 2017/17 Risk Pool²⁵ but neither could any information be found regarding the possible status of elaborating an Operations Plan nor has Madagascar purchased an insurance policy yet.

Table 15: Overview of relevant ARC processes in Madagascar

Date	Process
31 January 2014	Madagascar joins the ARC

Recommendations for CARE advocacy work on ARC's operations in Madagascar

1. **Assessing the possible value added for Madagascar to implement ARC:** Research the existing stage of implementation and the government's plans regarding climate risk insurance; make a needs assessment with regard to food-insecure (female) small-scale subsistence farmers in drought and flood-prone areas and define a suitable scale and scope for pro-poor climate risk insurance for them, taking into consideration the MCII criteria and available experiences with climate risk insurance from the region; build your advocacy strategy upon the findings and other relevant experiences as from activities supported by the UN Adaptation Fund.²⁶ CARE may also consider to advocate for the inclusion of climate risk insurance in the climate change strategies and policies of the country, including the NAP, which is currently developed.

Country case study on Zambia

Framework conditions in Zambia

Problems with drought, flood and cyclones

Zambia is a politically stable, land-locked lower middle income country with high internal inequality, and thus a quite static Human Development Index ranking at 139 out of 188 countries. Chronic poverty, food insecurity and natural disasters are among the main challenges, particularly affecting rural regions where rain-fed subsistence farming (maize, groundnuts) is the common practice. Zambia has been increasingly suffering from extreme weather events like torrential rainfalls and droughts over the last 15 years. The Zambian Vulnerability Assessment Committee's 2016 evaluation in the El Niño affected southern areas of the country estimated that 975 738 people (162 623 households) are food insecure and would require assistance. Between August and December 2016, humanitarian assistance targeted about 258 000 severely-affected people (approximately 43 000 households), while during the peak of the lean season (January-March 2017), the total food insecure population will be supported mainly through the Social Cash Transfer (SCT) program. Conditions are anticipated to improve with the start of the main season harvest from April onwards. Forecasts predict above average rainfalls, according to FAO.²⁷

Existing food, nutrition, climate adaptation and disaster management policies in the country

Zambia's response to climate change, food insecurity, poverty, and disasters is laid down in a series of policies, laws, and action plans (see table 16), which have been developed in particular in the aftermath of the 2002 food crisis.²⁸ The development of disaster management approaches is described in the respective policies as a shift from a relief and rehabilitation centered approach to a prevention centered approach.

At the same time, the increasing relevance of climate change as a root cause of increased droughts, hitting agriculture and food security hard, is being recognized (Government of Zambia 2015). In its First

²⁵ See: http://www.africanriskcapacity.org/wp-content/uploads/2016/12/ARV_ARVBulletinOct16_EN.pdf

²⁶ See at [https://www.adaptation-fund.org/project/madagascar-promoting-climate-resilience-in-the-rice-sector/ \(15.1.2017\)](https://www.adaptation-fund.org/project/madagascar-promoting-climate-resilience-in-the-rice-sector/ (15.1.2017))

²⁷ See at <http://www.fao.org/giews/countrybrief/country.jsp?code=ZMB>

²⁸ CARE played a critical role in the development of these policies

Nationally Determined Contribution (NDC), agricultural losses associated with climate change are estimated at USD 2,200 – 3,130 million for the last one or two decades.²⁹ Cumulated average temperature increase for the period 1960 – 2003 has been 1.3°C, and average precipitation is decreasing by 2.3% per decade. According to the NDC, climate strategies are aligned with the Vision 2030, and the Sixth National Development Plan has been aligned accordingly (Government of Zambia 2015b).

Zambia’s first NDC (ibid, p.10) lists the development of an insurance market against climate change induced risks related to agriculture and infrastructure as the 12th Adaptation Priority. It envisages the establishment of appropriate insurance schemes as a key activity, aiming at “reducing loss and damage and protecting developers (entrepreneurs) and consumers against loss” (ibid). This description of target groups, however, may leave some doubts in how far vulnerable subsistence farmers are covered.

Zambia’s NDC is rooted in the country’s 2010 National Climate Change Response Strategy (NCCRS), which does not yet refer to climate risk insurance. Amongst others, Zambia is supported by the Climate Investment Fund through the Pilot Climate Resilience Project phase II. Climate risk insurance is not linked to that project neither.

The revised disaster management policy 2015 – 2020 (Government of Zambia 2015a) does not specify how the recognition of climate change as a major threat will translate into actions to foster climate resilience. Food security and nutrition policies follow a two-pillar approach, providing food (e.g. through school meal programs) and promoting agricultural productivity of small-scale farms, which is comparatively low, in particular for maize as the most important staple food. Along these lines, the integrated emergency response to the current El Niño crisis is composed by a package of interventions, including maize distribution, school feeding, nutrition programs, agricultural extension services and social cash transfers. Climate risk insurance, which is already practiced at small scale in Zambia, as well has gained political momentum recently in Zambia: In September 2016, the International Research Institute for Climate and Society (IRI), with support of the World Bank’s Global Index Insurance Facility (GIIF) launched a new data platform, which should provide climate data for index based climate risk insurance products. The platform was developed by the Zambia Meteorological Department, funded by NASA.³⁰ The Government of Zambia, in reaction to increasing loss and damage associated with climate change, has called on insurance companies to develop affordable climate risk insurance products for small-scale farmers, considering this as another component of integrated risk management. Minister of Agriculture and Livestock Given Lubinda is quoted by stating that “...farmers’ access to risk mitigation tools such as insurance, proper farming techniques and other extension services is vital to ensuring that when adverse events occur, small-scale farmers are not left out entirely. It is therefore necessary to ensure that we put in place platforms that will give farmers easy access to financial services and insurance which ensure their sustained livelihoods”.³¹

Table 16: Existing food security, climate adaptation and disaster management policies in Zambia

Year	Policy
2002	National Home Grown School Meals Program
2010	National Disaster Management Act No. 13/2010
2010	Scaling Up Nutrition Program – SUN
2010	National Climate Change Response Strategy (NCCRS)
2013	Zambia National Agriculture Investment Plan (NAIP) 2014-2018
2014	National Social Protection Policy - NSPP (2016-2018)
2015	National Disaster Management Policy (2015-2020)

State of implementation of the ARC in Zambia

Zambia joined the ARC on 29 January 2016. No further information is available on the current status of carrying out activities that are prerequisite for receiving the Certificate of Good Standing (CoGS). It

²⁹ The NDC is not more specific.
³⁰ See <https://www.indexinsuranceforum.org/news/new-climate-data-zambia-unlocks-insurance-opportunities>
³¹ See <https://www.indexinsuranceforum.org/news/zambia-create-affordable-insurance-products>

seems that the national implementation of the African Risk Capacity does not yet seem to play a role in the political discourse in Zambia, despite increasing agricultural losses due to climate change.

Table 17: Overview of relevant ARC processes in Zambia

Date	Process
29 January 2016	Zambia joins the ARC

The role of other climate insurance products and initiatives in Zambia

The **Rural Resilience Initiative (R4)**, which is an integrated risk management approach, reaching from risk prevention to compensation of losses, is implemented in Zambia at small scale. R4 refers to four integrated risk management approaches: resource management (risk reduction), drought insurance (risk transfer), microcredit (prudent risk taking), and savings (risk reserves) (for more information on R4 see Schäfer/Waters 2016, p. 158f.). R4 in Zambia is being promoted by the World Food Program, so far targeting approximately 3000 poor and food insecure households – especially those cultivating less than two hectares of land, and half of them led by women. The insurance component consists out of an index-based drought insurance while the risk reduction component assists farmers with access to conservation agriculture activities supported by the FAO’s ‘Conservation Agriculture Scale Up’ program. Together with microcredit and saving components, this package should enable the beneficiaries to build resilience step by step and overcome poverty and food insecurity (WFP 2016, 2016d). R4 not (yet) attracts substantial attention of the Zambian government, maybe because of its very small scale.

Apart from R4, since 2013, **commercial agriculture index insurance products** have been implemented in Zambia in collaboration with insurance companies with support from the Government’s Farm Input Support Program (FISP) and Musika.³² About 60,000 farming households were insured against drought, dry spells and other adverse weather events in Zambia in the 2015/2016 farming season, covering approximately 380,000 people in rural-households. The respective insurance products have been promoted by a partnership between Musika, Financial Sector Deepening Zambia (FSDZ), Mayfair Insurance Company Zambia Limited and Focus General Insurance Limited. The products have been developed with the support of Risk Shield Consultants Limited.³³ Major crops insured includes maize, cotton, soya, sunflower and groundnuts. Weather index insurance is based on satellite weather data, which is available on a daily basis for every 4km, all over Zambia. This enables coverage of weather events, such as late onset of rains, dry spells, early end of season, excess rainfall etc. Satellite data is seen to capture risks accurately. The pay-out over the last three years is approximately USD 700,000. Other products implemented in Zambia include hybrid insurance products combining weather index with some scope for additional loss verification in the field. Future opportunities include development of Area Yield Index (AYII) products whereby the average yield in a region would be the basis for insurance coverage. Other pipeline products are livestock insurance products for small scale farmers.³⁴

Recommendations for CARE advocacy work on climate risk insurance in Zambia

- 1. Doing a comparative case analysis on the effectiveness of existing climate risk insurance products on climate resilience and food and nutrition security of small-scale farmers, in particular female farmers in Zambia:** Take into consideration the MCII criteria and the possible linkages and synergies with the disaster risk reduction, social protection and food and nutrition security frameworks in Zambia; build your advocacy strategy upon the findings. Consider lessons to be learned that should inform any implementation of ARC.
- 2. Assessing the possible value added for Zambia to implement ARC:** Research the existing stage of implementation and the government’s plans regarding ARC; make a needs assessment with regard to food-insecure (female) small-scale subsistence farmers in drought and flood-prone areas and define a suitable scale and scope for pro-poor climate risk insurance for them, taking into consideration the MCII criteria and the results of the case study on available climate

³² Musika is a Zambian non-profit company that works to stimulate private sector investment in the smallholder markets. See <http://www.musika.org.zm/who-we-are/about-us>

³³ See <http://www.musika.org.zm/press-releases/76-60-000-farming-households-access-weather-insurance-cover>

³⁴ See <http://www.fsdzambia.org/business-case-session-agriculture-finance-and-inclusive-insurance-for-small-scale-farmers/>

risk insurance; build your advocacy strategy upon the findings and other relevant experiences, including from climate adaptation programs funded by the Pilot Program for Climate Resilience (PPCR) of the Climate Investment Fund (CIF) and other funding channels. CARE may also consider to advocate for the inclusion of climate risk insurance in the climate change strategies and policies of the country, including the NAP, which is currently developed.

Country case study on climate risk insurance in Tanzania

Framework conditions in Tanzania

Problems with drought, flood and cyclones

Tanzania is a politically stable, food self-sufficient country at the national level, but food and nutrition insecurity occur at regional, district and household levels. 80% of the total population of 52 million depend on (rain-fed) subsistence farming (WFP 2016e) and are increasingly affected by droughts, floods and storms.³⁵ 28 percent of the population lives below the poverty line and about 500,000 depend on various types of food assistance programs, coordinated by WFP, half of them refugees from Burundi and Rwanda. According to the National Nutrition Survey (2015), almost 35 percent of children under the age of five are stunted in Tanzania (ibid). Tanzania is classified as a Least Developed Country, ranking 151 on the Human Development Index (2014) and 116 on the Climate Risk Index.³⁶

Existing food, nutrition, climate adaptation and disaster management policies in the country

Tanzania's response to food insecurity, poverty, and disasters is laid down in a series of policies, laws, and action plans (see table 18). Food security is mainly approached through agricultural policies, given the fact that food insecurity, apart from food insecurity of refugees, is first and foremost an issue for households depending on small-scale subsistence farming, in particular of maize. Through its policies and programs the government seeks to lift these target groups out of poverty and food insecurity by turning them stepwise into market oriented producers (Government of Tanzania 2011, 2013).

The linkage of climate change and food insecurity is being considered as critical by the Ministry for Agriculture, Food Security and Cooperatives (MAFC). The Tanzania Agriculture and Food Security Investment Plan (TAFSIP) has developed a comprehensive action plan on disaster management, including early warning systems, emergency response, disaster risk preparedness and capacity building. The Agriculture Climate Resilience Plan 2014-2019 (ACRP) covers a broad range of issues, including the analysis of the potential of climate risk transfer and crop insurance for smallholders under the 3rd priority action area "Protect the most vulnerable against climate-related shocks" (ibid p.48f.)

The Emergency Preparedness and Response Plan lists drought and flood as the main natural hazards (Government of Tanzania 2012). This is in line with the National Climate Change Strategy (2012) and the country's INDC, which estimates the annual GDP loss caused by climate change with more than 1% and agriculture as one of the most vulnerable sectors. Accordingly, the INDC envisages, as one intended adaptation contribution, "the protection of smallholder farmers against climate related shocks, including through crop insurance" (Government of Tanzania 2015, p. 4).

Although the link to climate change is made in many policy frameworks, implementing measures to promote climate resilience of smallholder peasants seems not yet to be considered as a top priority: At the implementation level, productive measures and climate smart agriculture approaches are more prominent and better funded.

Table 18: Existing food security, climate adaptation and disaster management policies in Tanzania

Year	Policy
1992	Food and Nutrition Policy for Tanzania
2011	Agriculture and Food Security Investment Plan 2011/12 – 2020/21 (TAFSIP)
2012	National Climate Change Strategy (NCCS)

³⁵ See <http://wheretherainfalls.org/tanzania/>

³⁶ See <http://hdr.undp.org/en/countries/profiles/TZA> and Germanwatch 2016

2012	Emergency Preparedness and Response Plan
2013	National Agriculture Policy
2014	Disaster Management Act
2014	Zanzibar Climate Change Strategy
2014	Agriculture Climate Resilience Plan 2014 – 2019 (ACRP)
2015	Agricultural Sector Development Program II (ASDP II)

The role of climate insurance products and initiatives in Tanzania

Tanzania so far is not a member state to the ARC treaty and no indication could be found that the government currently discusses membership.

According to the Agriculture Climate Resilience Plan, the Department of Food Security and Early Warning systems should lead the work to investigate and pilot the development of risk transfer schemes. The planning document explicitly mentions to draw lessons learnt from existing risk transfer pilot projects, including a **crop insurance piloted by World Vision in the Same District** and from microfinance institutions like **MicroEnsure** (Government of Tanzania 2014, p. 49)

Climate risk insurance coverage against drought, excess rain and storms for maize, bean, wheat or rice cultivations can be purchased by smallholder farmers at **ACRE Africa – Agriculture and Climate Risk Enterprise (Kilimo Salama)**, an insurer that was founded in 2009 and that extended its operations from Kenya to Tanzania and Rwanda (for more information on ACRE see Schäfer/Waters 2016, p. 165f.). Numbers of insured smallholder peasants in Tanzania vary between 4,300³⁷ and 26,200, according to Schäfer/Waters (2016), with reference to the Index Insurance Forum 2016. ACRE Africa is owned by Syngenta Foundation.³⁸ Syngenta Foundation is the foundation related to Syngenta AG, one of the biggest agribusiness companies in the world, which is involved in many conflicts over land use and agricultural practices. This critical relationship should be considered with caution. Concerns are currently expressed by NGOs, including Bread for the World.³⁹ They are concerned that climate risk insurance coming hand in hand with selling seeds and the agricultural package may dictate peasants their business and make them dependent on a handful of multinational companies (see also ETC Group 2016, p.4f.)

Recommendations for CARE advocacy work on climate risk insurance in Tanzania

- 1. Doing a case research on the impacts of ACRE on climate resilience and food security of small-scale farmers, in particular female farmers in Tanzania:** Take into consideration the MCII criteria, critical land tenure issues linked to the readiness/affordability to pay insurance premiums, and the possible linkages and synergies with the disaster risk reduction, climate adaptation and food security framework in Tanzania; build your advocacy strategy upon the findings; ensure that the analysis includes examination of potential conflicts of interest given Syngenta's ownership of ACRE or of how their ownership may/may not be shaping the implementation and targeting of the program.
- 2. Assessing the possible value added for Tanzania to join ARC:** Undertake a stakeholder consultation in Tanzania on ARC, including a brief needs assessment with regard to food-insecure (female) small-scale subsistence farmers in drought and flood-prone areas and define a suitable scale and scope for pro-poor climate risk insurance for them, taking into consideration the MCII criteria; build your advocacy strategy upon the findings.

³⁷ See http://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/industries/financial+markets/retail+finance/insurance/agriculture+and+climate+risk+enterprise

³⁸ See <http://acreafrica.com>

³⁹ Interview with Sabine Minninger (Bread for the World), 12th of January, 2017)

Conclusions and policy recommendations to CARE

CARE's vision for Southern Africa, as described in its Southern Africa FNS-CCR Impact Growth Strategy (IGS) is to enable ten million poor and vulnerable people in the region to increase their food and nutrition security and their resilience to climate change, with a particular focus on women, by 2020. This vision is building, amongst others, on the principles of the African Union's Comprehensive Africa Agriculture Development Program (CAADP), which were reaffirmed by the Maputo declaration in 2014, and the SUPER set of principles, i.e. sustainability, productivity and profitability, equality and resilience. The **CARE Southern Africa Regional Advocacy Strategy** serves to achieve this vision and to turn the CAADP and SUPER principles into action, by holding governments accountable for implementation of key global and regional policy frameworks and agreements and by influencing policymakers to create enabling national and regional political framework conditions, which ultimately benefit the poor and vulnerable, and in particular female small-scale farmers, counting for 75% of regional food production and being politically largely neglected. CARE, through its advocacy strategy, aims at achieving, by 2020, **three inter-connected objectives**, referring to (i) better governance of the regional policy frameworks on sustainable development, climate resilience, food and nutrition security and agriculture, to (ii) better national implementation of pro-poor, climate-resilient and gender-transformative, sustainable agricultural policies, and to (iii) enhanced integration of nutrition-sensitive and nutrition-specific interventions into agricultural policy development and implementation processes. In light of these objectives, the further development of CARE advocacy capacities is being considered as a critical enabler.

This report has briefly analyzed the possible role of climate risk insurance approaches, including the African Risk Capacity as a Pan-African initiative, for small-scale (female) farmers in Malawi, Zimbabwe, Madagascar, Tanzania and Mozambique, in view of the CARE vision and advocacy strategy for the region. Findings have led us to the following conclusions and policy recommendations.

Conclusion 1: Climate risk insurance is not a silver bullet, but, if integrated in a comprehensive risk management and poverty reduction strategy, could serve as a highly relevant means to reduce vulnerability and to improve resilience and food and nutrition security in situations of acute, climate-induced food crisis. Climate risk insurance, however, does not yet play a major role in disaster risk response, social protection, food and nutrition security and agriculture policy frameworks and programs in any of the six countries.

Conclusion 2: Climate risk insurance, in order to benefit marginalized, resource-poor and climate vulnerable (female) small-scale farmers, needs to be designed in a pro-poor (including participatory, inclusive, and transparent) way, that make it accessible, affordable and valuable to them. Such solutions will not be provided, at larger scale, by the market alone, but rely on enabling environments, promotion and support, including in particular premium support, provided by governments, by the African Union, and by development partners. So far, these conditions are under initial development at least in some countries, in particular with regard to ARC and R4, but not yet fully developed in any of them.

Conclusion 3: Climate risk insurance approaches in general and ARC in particular rely on multi-stakeholder engagement and NGO advocacy work in order to be designed, financed and implemented in a pro-poor and comprehensive way. Our analysis shows that ARC OPs are not yet sufficiently meeting our pro-poor standards - despite the existence of guiding principles and compliance requirements, peer review and capacity building provided. This indicates the need for NGO involvement.

CARE can make a difference by taking up work on climate risk insurance nationally, regionally and globally. Pro-poor climate risk insurance, if implemented in a meaningful way, could contribute to achieve the CARE advocacy objectives and to make the CARE vision become reality.

In light of these three conclusions, which are related to the regional as well as to the national levels, **we (I) recommend CARE to take up work on climate risk insurance.** Our research builds a sound basis and provides guidance for possible next steps in terms of further research, policy analysis and advocacy strategies. Apart from addressing governance, insurance literacy and participation issues, **advocating**

for premium support will be key. Our findings, however, do not yet allow for defining narratives, since this step would depend on further discussions within the CARE team.

In view of the fact that national contexts are different, we have chosen to frame our recommendations country by country. Some of these recommendations, can be bundled (for instance according to themes like gender, governance/participation, embedment/enabling political frameworks, climate, food security/sustainable agriculture and sustainable development/poverty) , and altogether they build a coherent package. **In line with the Southern Africa IGS we (II) recommend to use the issue of climate risk insurance, if taken up by CARE, as a pilot case for mutual learning** from each other's experiences in an organised process **by establishing a climate risk insurance knowledge management system** and of Learning Hubs. In the following we summarize our **more specific recommendations country by country.**

Recommendations for CARE advocacy work on ARC's operations in Malawi

Based on the preceding analysis of Malawi's OP, the following recommendations on how CARE can influence the process for ARC to respond to the food and nutrition security of most vulnerable people can be derived:

Independent monitoring: Support the monitoring of the recent payout as an independent entity, in particular to track if women as a special focus group of the OP are actually reached by the interventions. Conduct an analysis of the Final Implementation Plan and the implementation procedures at local level based on MCI's Pro-Poor Principles for Climate Risk Insurance.

Participation of women: Help to foster the involvement of women in the ARC contingency planning process, in the design, implementation and monitoring phase. Make sure that needs assessment sufficiently include women to capture to their specific needs.

Long-term impacts: Analyze long-term impacts of the ARC pay-out in Malawi on food security and the resilience of the beneficiaries. Currently, there is no tool under ARC to evaluate those long-term impacts.

Increased participation of civil society and beneficiary communities: Raise awareness of Malawi's ARC participation in the CSO-community and in high-at-risk communities. Foster the participation of NGOs and beneficiary communities in the implementation of Malawi's final implementation plan and the M&E of the activities. Actively demand a real time "complaints mechanism" for Malawi to be developed.

Linkages to national policies and processes and comprehensive approach: The government doesn't describe how the interventions of the contingency plan might be used to supplement a potentially larger response to drought and to resilience building, nor does it describe how the OP activities respond to the National Climate Change Policy. Support the government to link the OP to existing food and nutrition as well as to climate-related adaptation policies, by identifying synergies and complementarities. Moreover, foster a closer linkage of the OP with efforts to reduce the vulnerability and risk of beneficiaries as part of a more comprehensive approach to reduce poverty and vulnerability.

Capacity building: Malawi, with the support of ARC, needs to make sure that the local institutions have sufficient capacities to play a role in the monitoring process, that they are able to provide high quality information, and that a budget is available for monitoring activities. Actively demand these capacity building activities from ARC and insurance providers.

Recommendations for CARE advocacy work on ARC's operations in Zimbabwe

Based on the preceding analysis of Zimbabwe's OP, the following recommendations on how CARE can influence the process for ARC to respond to the food and nutrition security of most vulnerable people can be derived:

Involvement process: Compared to other OPs, Zimbabwe's OP lacks information on the involvement of local actors and civil society. Identify the existing involvement processes and support Zimbabwe in organizing a more transparent involvement of relevant local stakeholders. Raise awareness of Zimbabwe's ARC membership in the CSO-community and in high-risk-communities.

Participation of women: Help to foster the involvement of women in the ARC contingency planning, in the design, implementation and monitoring phase. Make sure that needs assessments sufficiently include women to capture their special needs and that women are duly represented in meetings.

Linkages to national policies and processes: The government doesn't describe how the interventions of the contingency plan might be used to supplement a potentially larger response to drought and to resilience-building. Support the government to link the OP to existing food and nutrition policies as well as to climate adaptation policies, by identifying synergies and complementarities.

Linkages to ex-ante activities: Support Zimbabwe in better linking the OP intervention to activities which reduce and prevent the risk of drought, aiming at improving the long-term resilience of beneficiaries.

Address transparency and accountability challenges: Support Zimbabwe in clarifying where the ARC pay-out would be transferred to, how the money would flow from the government account to the implementing partners and which checks are in place to ensure that the money reaches the beneficiaries. This is crucial for ensuring donor comfort with the program.

Improve payout process: Support Zimbabwe in adjusting its OP to provide for an effective payout process, in particular by shortening the lengthy process to access payouts for the beneficiaries.

Recommendations for CARE advocacy work on ARC's operations in Madagascar

Assessing the possible value added for Madagascar to implement ARC: Research the existing stage of implementation and the government's plans regarding climate risk insurance; make a needs assessment with regard to food-insecure (female) small-scale subsistence farmers in drought and flood-prone areas and define a suitable scale and scope for pro-poor climate risk insurance for them, taking into consideration the MCII criteria and available experiences with climate risk insurance from the region; build your advocacy strategy upon the findings and other relevant experiences as from activities supported by the UN Adaptation Fund. CARE may also consider to advocate for the inclusion of climate risk insurance in the climate change strategies and policies of the country, including the NAP, which is currently developed.

Recommendations for CARE advocacy work on climate risk insurance in Zambia

Doing a comparative case analysis on the effectiveness of existing climate risk insurance products on climate resilience and food and nutrition security of small-scale farmers, in particular female farmers in Zambia: Take into consideration the MCII criteria and the possible linkages and synergies with the disaster risk reduction, social protection and food and nutrition security frameworks in Zambia; build your advocacy strategy upon the findings. Consider lessons to be learned that should inform any implementation of ARC.

Assessing the possible value added for Zambia to implement ARC: Research the existing stage of implementation and the government's plans regarding ARC; make a needs assessment with regard to food-insecure (female) small-scale subsistence farmers in drought and flood-prone areas and define a suitable scale and scope for pro-poor climate risk insurance for them, taking into consideration the MCII criteria and the results of the case study on available climate risk insurance; build your advocacy strategy upon the findings and other relevant experiences, including from climate adaptation programs funded by the Pilot Program for Climate Resilience (PPCR) of the Climate Investment Fund (CIF) and other funding channels. CARE may also consider to advocate for the inclusion of climate risk insurance in the climate change strategies and policies of the country, including the NAP, which is currently developed.

Recommendations for CARE advocacy work on ARC's operations in Mozambique

Based on the preceding analysis of Mozambique's OP, the following recommendations on how CARE can influence the process for ARC to respond to food and nutrition security of most vulnerable people can be derived:

Accessibility and affordability: Mozambique's OP is comparatively broad with its three components, which is a good approach (i) to coherently embed it into existing policies and programs, and (ii) to reach different target groups. However, as the current drought shows, the intended coverage is still by far too small to reach all severely affected people in need. It needs to be scaled up. But even the given scale seems to be unaffordable for the country. Identify the gap and support Mozambique in developing options and negotiate with international partners ways to support the premium payment.

Participation of women: Help to foster the involvement of women in the ARC OP & contingency planning, in the design, implementation and monitoring phase. Make sure that needs assessment sufficiently include women to capture their special needs.

Linkages to national policies and processes: The Government of Mozambique doesn't describe how the interventions of the contingency planning might be used to supplement a larger response to drought or other risks, that deepen vulnerability and poverty. Support the government to link the OP to other existing food and nutrition policies, by identifying synergies and complementarities. Also advocate for embedding the OP and climate risk insurance in general in the national climate strategy NCCAMS and make it part of the NAP, which is currently under development.

Linkages to ex-ante activities and sustainability frameworks: Support Mozambique in better linking the OP intervention to activities which reduce and prevent the risk of drought and other disasters, aiming at improving the long-term resilience of beneficiaries.

Recommendations for CARE advocacy work on climate risk insurance in Tanzania

Doing a case research on the impacts of ACRE on climate resilience and food security of small-scale farmers, in particular female farmers in Tanzania: Take into consideration the MCII criteria, critical land tenure issues linked to the readiness/affordability to pay insurance premiums, and the possible linkages and synergies with the disaster risk reduction, climate adaptation and food security framework in Tanzania; build your advocacy strategy upon the findings; ensure that the analysis includes examination of potential conflicts of interest given Syngenta's ownership of ACRE or of how their ownership may/may not be shaping the implementation and targeting of the program.

Assessing the possible value added for Tanzania to join ARC: Undertake a stakeholder consultation in Tanzania on ARC, including a brief needs assessment with regard to food-insecure (female) small-scale subsistence farmers in drought and flood-prone areas and define a suitable scale and scope for pro-poor climate risk insurance for them, taking into consideration the MCII criteria; build your advocacy strategy upon the findings.

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