



EN

**THIS ACTION IS FUNDED BY THE EUROPEAN UNION**

**ANNEX 13**

to the Commission Implementing Decision on the financing of the multiannual action plan in favour of Sub-Saharan Africa for 2023-2025

**Action Document for ‘Tackling Loss and Damage through climate and disaster risk finance and insurance’**

**MULTIANNUAL PLAN**

This document constitutes the multiannual work programme within the meaning of Article 110(2) of the Financial Regulation, and an action plan within the meaning of Article 23 of the NDICI-Global Europe Regulation.

## 1 SYNOPSIS

### 1.1 Action Summary Table

<b>1. Title</b> <b>CRIS/OPSYS</b> <b>business reference</b> <b>Basic Act</b>	Tackling Loss and Damage through climate and disaster risk finance and insurance OPSYS number: ACT-61811 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
<b>2. Team Europe Initiative</b>	Yes Supporting the Team Europe Initiative (TEI) on Climate Change Adaptation and Resilience in Africa <sup>1</sup> .
<b>3. Zone benefiting from the action</b>	The action shall be carried out in Sub-Saharan Africa (SSA).
<b>4. Programming document</b>	Multi-Annual Indicative programme (MIP) for Sub-Saharan Africa 2021-2027 (Regional MIP)
<b>5. Link with relevant MIP(s) objectives / expected results</b>	<u>Sub-Saharan Africa MIP:</u> <u>The Action contributes to Priority Area 3, ‘Green Transition’ of the Regional MIP.</u> <u>Specific Objective 1:</u> ‘Strengthen climate resilience at continental level and support African climate action in line with the goals of the Paris Agreement.’  <i>Result 1.2:</i> The capacity to anticipate, manage and respond to recurrent shocks (pest outbreak threats, food crises, natural hazards-related disasters) is strengthened

<sup>1</sup> As of March 2023, the TEI on Adaptation and Resilience in Africa involves the following EU Member States and financial institutions: Germany, France, Denmark, the Netherlands, the Czech Republic, Sweden and (potentially) Spain and Italy, and the European Investment Bank, and in close coordination with the African Union Commission (AUC). The commitment of the EU’s contribution to the Team Europe Initiative foreseen under this action plan will be complemented by other EU actions and other contributions from partners following a Team Europe, subject to confirmation.

	<i>Result 1.3: Effective solidarity mechanisms are strengthened, including Disaster Risk Financing (DRF).</i>			
<b>PRIORITY AREAS AND SECTOR INFORMATION</b>				
<b>6. Priority Area(s), sectors</b>	<u>Sub-Saharan Africa MIP:</u> Priority area 3: Green Transition <u>DAC sectors:</u> DAC Code 430 – Other Multisector DAC Code 740 – Disaster Prevention and Preparedness DAC Code 410 – General Environment Protection			
<b>7. Sustainable Development Goals (SDGs)</b>	Main SDG (1 only): SDG13 (Climate Action: Take urgent action to combat climate change and its impacts) Other significant SDGs (up to 9) and where appropriate, targets: <ul style="list-style-type: none"> <li>• SDG 5 (Gender Equality: Achieve gender equality and empower all women and girls)</li> <li>• SDG 11 (Sustainable Cities and Communities: Make cities and human settlements inclusive, safe, resilient and sustainable)</li> <li>• SDG 15 (Life on Land: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss)</li> </ul>			
<b>8 a) DAC code(s)</b>	430 – Other multisectors: 43060 – Disaster Risk Reduction (80%)  All others (20%): 740 – Disaster Prevention and Preparedness 74020 – Multi-hazard response preparedness 410 – General Environment Protection			
<b>8 b) Main Delivery Channel</b>	51000 – University, college or other teaching institution, research institute or think-tank 41000 – UN entities (core contributions reportable in full) 41140 – World Food Programme			
<b>9. Targets</b>	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
<b>10. Markers (from DAC form)</b>	<b>General policy objective @</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Disaster Risk Reduction @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>11. Internal markers and Tags:</b>	<b>Policy objectives</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Principal objective</b>
	Digitalisation @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
	Connectivity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	digital connectivity energy transport health education and research	YES <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>BUDGET INFORMATION</b>				
<b>12. Amounts concerned</b>	Budget line(s) (article, item): 14 02 01 20: EUR 14 000 000 14 02 01 21: EUR 14 000 000 14 02 01 22: EUR 12 000 000 Total estimated cost: EUR 40 000 000 Total amount of EU budget contribution EUR 40 000 000			

	<p>Indicative support from other Team Europe member's to the Team Europe Initiative on Adaptation and Resilience in Africa:</p> <p>Czech Republic: TBC</p> <p>Denmark: EUR 13 000 000</p> <p>France: EUR 298 000 000</p> <p>Germany: EUR 370 000 000</p> <p>Netherlands: EUR 259 000 000</p> <p>Spain: EUR 29 000 000</p> <p>Sweden: EUR 1 400 000</p>
<b>MANAGEMENT AND IMPLEMENTATION</b>	
<b>13. Type of financing</b>	<p><b>Direct management</b> through:</p> <p>- Grants</p> <p><b>Indirect management</b> with the entity(ies) to be selected in accordance with the criteria set out in section 4.4.2</p>

## 1.2 Summary of the Action

Most African countries will enter unprecedented high-temperature climates early this century. Climate change and recurrent natural hazard events threaten people's lives and health, impair peace and security, and hinder economic development and social progress. Current scientific evidence warns of climate risks intensifying, lasting longer and occurring both sooner and at larger scales than previously assessed, impacting considerably a significant portion of the population and underscoring the urgency of adaptation and disaster risk reduction action on the continent. Africa requires technical and financial assistance to better prepare, anticipate and disaster risk. The EU's support can only yield positive results if it is climate-proofed and takes disaster risks into account.

In order to take the EU support and dialogue with African partners to a new level, a Team Europe Initiative (TEI) on Climate Change Adaptation and Resilience in Africa has been developed with Germany, France, Denmark, the Netherlands, the Czech Republic, Sweden and (potentially) Spain and Italy. It was officially launched at COP27 with more than a EUR 1 billion envelope on the 16 November 2022.

The Team Europe Initiative (TEI) responds to adaptation needs and disaster risks by focusing on a comprehensive four-pillar framework:

1. Support collection, aggregation and analysis of risk and asset data;
2. Strengthen inclusive policy, governance and risk-informed decisions and reinforce Early Warning Systems (EWS);
3. Enhance access to climate adaptation finance for all; and
4. **Strengthen inclusive Climate and Disaster Risk Finance and Insurance (CDRFI) solutions for Africa by enhancing the Global Shield against Climate Risks and related initiatives to enhance protection against residual risk.**

These pillars are expected to contribute to achieving progress on building climate adaptation and resilience by reducing vulnerability and exposure to climate change-induced and natural hazards events, thereby contributing to averting, minimising and addressing loss and damage associated with the adverse effects of climate change.

The present Action will focus on the implementation of Pillar 4 and will be financed through the SSA RIP priority area 3 'Green Transition' with an amount of EUR 40 million. It will be included in the AAP 2023. The action will be implemented through:

- **Component 1: The Global Shield Solutions Platform (GS-SP) (EUR 30 million).** GS-SP is the central financial vehicle of the G7 Global Shield against Climate Risks joint initiative which was established in November 2022 at COP27 as a multi-donor grant facility. The GS-SP will provide technical assistance and finance CDRFI support to partner countries through in-country dialogues and packages with the objective to

increase the resilience of poor and vulnerable people and consequently help to avert, minimise and address losses and damages of climate change; and,

- **Component 2: The African Risk Capacity (ARC) (EUR 10 million).** ARC is a Specialised Agency of the African Union (AU) established in 2012 to work with African governments to improve their capacities to better plan, prepare, and respond to extreme weather events and natural disasters. ARC provides member states with capacity building services and access to early warning, contingency planning, and risk pooling.

Both initiatives provide a comprehensive approach to CDRFI with a focus on a number of African countries<sup>2</sup>, allowing optimising synergies with national indicative programmes, while at the same time contributing to a unified and consistent donors-approach in this area. In both cases, not only private sector resources are leveraged but also new financial instruments could be tapped on to increase the number of beneficiaries by reducing the cost of insurance policies.

The Action has clear political prominence, as highlighted at the 27<sup>th</sup> Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC COP27) held in Sharm-el-Sheikh (Egypt) in November 2022, where the TEI was launched. A major breakthrough of Sharm el-Sheikh conference was the decision to establish new funding arrangements for assisting developing countries that are particularly vulnerable to the adverse effects of climate change in responding to loss and damage. This decision was a response to the calls of developing countries to enhance support for preparing for and responding to growing impacts caused by sudden and slow onset events. The funding arrangements, including a fund for responding to loss and damage are to be operationalised by a Transitional Committee also established in Sharm-el Sheikh. Through this Action, the EU displays its immediate commitment to respond to the request for funding for particularly vulnerable countries hit hard by climate disasters, in alignment with the Sharm decision.

At the TEI launch during COP27, the **Executive-Vice President (EVP) Timmermans announced EUR 60 million for loss and damage from the overall EU contribution to the TEI. This pledge will be fulfilled through two actions. The present action will contribute with its full amount (EUR 40 million) towards this pledge, thus addressing losses and damages notably through CDRFI.** The remaining EUR 20 million from the SSA Regional Indicative Programme Science Technology and Innovation (SSA RIP STI) priority 4 will focus on *minimising* losses and damage through strengthening the capacities of African partners to access meteorological and climate satellite data and to deliver adequate information in particular for early warning systems, which will complement with services, applications and data the support to disaster risk financing and transfer provided under the present action. Both these actions being adopted under AAP 2023, the EU will be able to showcase the will to rapidly deliver on its COP27 commitments.

The present Action builds on the 11<sup>th</sup> EDF Intra-ACP Natural Disaster Risk Reduction Programme (ACP/FED/041-233) and complements the EU contribution to the Adaptation Fund (OPSYS reference: ACT-61191), also part of the contributions under the umbrella of the TEI on Adaptation and Resilience in Africa.

The **Overall Objective** (Impact) of this action is to enhance the financial protection to populations, livelihoods, ecosystems and assets against the impacts of climate change and natural hazards in Africa. The **Specific Objectives** (Outcomes) of this action are: i) to improve the understanding and management of climate and disaster risks and CDRFI mechanisms in AU Member States, ii) to increase the availability of effective CDRFI solutions offered to AU countries and populations, and iii) to increase access of AU Member States to CDRFI tools and products.

By the end of the Action's implementation period, regional institutions and national and sub-national governments in SSA countries will have strengthened their institutional capacities for developing and implementing CDRFI solutions and instruments, and their populations will have access to effective CDRFI instruments and markets at macro, meso and micro levels.

---

<sup>2</sup> Preliminary discussions are taking place with the Frankfurt School for the selection of beneficiary countries as to ensure complementarity.

## 2 RATIONALE

### 2.1 Context

The African continent is particularly vulnerable to and is already experiencing the impacts of climate change, due to its exposure to current and projected climate-related hazards, the sensitivity of its natural, social and economic systems to the impacts of climate change, as well as the limited capacities to address them. The Covid-19 crisis, and, more recently, the Russian aggression against Ukraine, have exacerbated the constraints African countries and their populations face when confronted with severe social and economic challenges, and the imperative to invest in climate change adaptation and the reduction of climate and natural hazards risks. This situation is even more critical for social groups with high vulnerability to climate variability – especially extreme events – and climate change, or suffering from exclusion, such as women and youth, indigenous groups, people with disabilities and rural populations.

Financial resources and sound investments are needed to address the impacts of climate change and natural hazard risks, in particular to promote adaptation to the impacts that are already occurring and to build resilience. The Glasgow Climate Pact, signed at COP26 in 2021, urged developed nations to ‘at least double’ their collective climate finance for adaptation. However, to date, climate finance is scaling far too slowly to build climate resilience, even as the costs of climate impacts rise, resulting in an increase of the adaptation funding gap<sup>3</sup>. In particular, this refers to climate adaptation finance and disaster risk finance. To mobilise further adaptation investment and to increase the impact of investments in terms of building resilience, a wide variety of sources of finance need to be tapped. Public spending alone cannot meet the adaptation finance gap, so private sector investment must scale up alongside public investment to supplement limited public resources.

The EU calls for a strategic partnership with Africa to tackle together these emerging challenges and to pursue common interests. In this context, the Commission together with EU Member States (MS) and in collaboration with the African Union Commission (AUC), launched a Team Europe Initiative (TEI) in the fields of Climate Change Adaptation (CCA) and Disaster Risk Reduction in SSA at COP27. The launch was accompanied by a EUR 60 million pledge announcement by EVP Timmermans for loss and damage from the overall EU contribution to the TEI. The present action will contribute with its full amount (EUR 40 million) towards this pledge with a focus on Pillar 4 of the TEI; more specifically, on strengthening the protection of vulnerable populations against residual risks through the development and implementation of CDRFI strategies, tools, and mechanisms, thus contributing to address losses and damages notably through disaster risk financing/transfer.

The global climate and disaster risk finance architecture is complex and evolving. Ex-ante and ex-post funds flow through multilateral channels – both within and outside the UNFCCC Financial Mechanism – as well as through bilateral and regional initiatives and channels. A growing number of recipient countries are also setting up national climate change funds that receive funding from multiple contributor countries in an effort to coordinate and align contributor interests with national priorities. The present Action will focus on supporting two important initiatives in the CDRFI landscape of the region.

- The **Global Shield against Climate Risks joint initiative (Component 1)**. More recently, to increase the support from industrialised countries for better protection of vulnerable people and countries against climate related-risks, the G7 countries, spearheaded by Germany (during its G7 Presidency), agreed with the V20 countries (states that are particularly threatened by climate change) to set up a **Global Shield against Climate Risks**. Officially launched on 14 November 2022 by the G7 and V20 at COP27, the Shield will gather activities in the field of climate and disaster risk finance and preparedness. Under the Shield, solutions to provide protection that can be implemented swiftly if climate and disaster related damages occur will be devised. The Shield will also mobilise additional funds in order to meet the growing demand for finance. The **Global Shield Solutions Platform (GS-SP)** is the central financial vehicle of the Global Shield against Climate Risks Initiative. It was established as a multi-donor grant facility managed and implemented by the Frankfurt School of Finance & Management (Frankfurt School). The GS-SP will provide technical assistance and finance CDRFI

<sup>3</sup> The gap in adaptation finance for Africa is underlined by GCA’s report on *Financial Innovation for Climate Adaptation in Africa* (<https://gca.org/wp-content/uploads/2021/10/GCA-CPI-Financial-Innovation-for-Climate-Adaptation-in-Africa.pdf>). The report highlights that cumulative adaptation finance to 2030 will come to less than one-quarter of the estimated needs stated by African countries in their National Determined Contributions (NDCs). According to the report, in 2019 and 2020 an estimated \$11.4 billion was committed to climate adaptation finance in Africa (with more than 97% of the funds coming from public actors and less than 3% from private sectors), which is significantly less than the \$52.7 billion annually to 2030 it is estimated African countries will need.

support in partner countries through in-country dialogues and packages with the objective to increase the resilience of poor and vulnerable people and consequently help to avert, minimise and address losses and damages of climate change.

- The **African Risk Capacity (ARC) Group (Component 2)** was established in 2012 as a Specialised Agency of the AU to work with African governments to improve their capacities to better plan, prepare, and respond to extreme weather events and natural disasters. It is comprised of three entities: the ARC Agency (working primarily with the public sector), ARC Limited<sup>4</sup> (working primarily with the private sector), and ARC Replica<sup>5</sup> (working with the humanitarian sector, allowing humanitarian actors like UN and NGOs to work side-by-side governments). Together, they provide ARC member states with capacity-building services and access to state-of-the-art early warning technology, contingency planning, and risk pooling and transfer facilities. ARC's mission is 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 vulnerable to natural disasters. It was established on the principle that investing in preparedness and early warning through an innovative financing approach is highly cost-effective and can save upward of four Dollars for every Dollar invested ex-ante approaches<sup>6</sup>. Through collaboration and innovative finance, ARC enables countries to strengthen their disaster risk management systems and access rapid and predictable financing when disaster strikes to protect the food security and livelihoods of their vulnerable populations.

Through this Action and the overall TEI programme, the EU will be an active and visible contributor to scaling-up adaptation and resilience and averting, minimising and addressing loss and damage in Africa, in collaboration with African partners and in alignment with the common priorities and outcomes of the 2022 EU–Africa Summit, notably with regards to the implementation of the AU Climate Change and Resilient Development Strategy and Action Plan (2022–2032) and the Global Gateway Investment Package. The Multi-Annual Indicative Programme for Sub-Saharan Africa (regional MIP)<sup>7</sup> will contribute to these objectives, in full coherence with multiple global frameworks and agreements, such as the 1992 UN Framework Convention on Climate Change (UNFCCC), the United Nations 2030 Agenda for Sustainable Development and the Sustainable Development Goals, the 2015 Paris Agreement and the 2015 Sendai Framework for Disaster Risk Reduction, which form the main international policy framework for climate and disaster risk reduction action.

The intervention will also be instrumental to achieving the objective of promoting climate resilience and bridging the global gap on adaptation finance set out in the EU Strategy on Adaptation to Climate Change<sup>8</sup> (February 2021), which was developed with the aim to promote smarter, more systemic and faster adaptation and to step up international action for climate resilience, including: (i) increasing international support for climate resilience and preparedness in Africa, including support to National Adaptation Plans (NAPs) and Nationally Determined Contributions (NDCs) implementation; (ii) scaling up international finance to build climate resilience in Africa; and, (iii) strengthening global engagement and exchanges on adaptation.

The Action is also in line with the objectives of the NDICI-Global Europe and will contribute towards the achievement of its climate spending target (estimated contribution: 100%), and is also fully in line with the

<sup>4</sup> ARC Limited was established in 2014 as the commercial subsidiary/financial affiliate of the ARC Group. It is a mutual insurance facility providing risk transfer services to African countries through risk pooling and access to reinsurance markets.

<sup>5</sup> ARC Replica – the ARC insurance coverage for humanitarian actors – has complemented country coverage in five African countries through the World Food Programme and the Start Network.

<sup>6</sup> [The African Risk Capacity Agency and IBM Corporation sign a Memorandum of Understanding at COP 27 - World | ReliefWeb](#)

<sup>7</sup> The regional Multiannual Indicative Programme for Sub-Saharan Africa (SSA) covers the EU's partnership with Sub-Saharan Africa through the guiding principles of the Neighbourhood, Development and International Cooperation Instrument-Global Europe (NDICI-Global Europe) of 'simplification', 'subsidiarity', 'geographizing' and 'policy first' in the European Union's interaction with key stakeholders. All actions funded under this Regional MIP, whether implemented at country level or at regional/continental level, should seek to complement national programmes and actions funded globally under the 'Global Challenges', demonstrating a clear value-added to address regional perspectives. Moreover, following the principle of subsidiarity, regional programmes should purposefully focus on transformational impact, while promoting inter-linkages and synergies between national, regional and global programmes.

<sup>8</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52021DC0082&from=EN>

European Consensus on Development (2017)<sup>9</sup> and the EU's external action priorities on climate change as set in the European Green Deal Communication<sup>10</sup> (2019).

Finally, the Action is also in line with the Lima Work Programme on Gender and its Gender Action Plan, the Commission on Status of Women 66 (held in 2022) on 'Achieving gender equality and the empowerment of all women and girls in the context of climate change, environmental and disaster risk reduction policies and programmes' and with the UNFCCC Gender Action Plan, and will contribute to the implementation of the EU Gender Action Plan (GAP III 2021 -2025)<sup>11</sup>, specifically, to the thematic area of engagement 'addressing the challenges and harnessing the opportunities offered by the green transition for gender equality'.

## 2.2 Problem Analysis

### Short problem analysis:

In Sub-Saharan Africa, climate change is predicted to greatly affect a significant proportion of the population, who are often hardest hit by weather catastrophes, desertification, and rising sea levels, but who have contributed the least to the problem of global warming. In the continent, climate change has already contributed to worsening food security, reducing the predictable availability of fresh water, and exacerbating the spread of conflicts, competition for resources, disease and other threats to human health.<sup>12</sup> Current scientific evidence warns of climate risks intensifying, lasting longer and occurring both sooner and at larger scales than previously assessed. Science also highlights the existence of residual risks (i.e., risks that remain after adaptation), limits to adaptation and the potential for maladaptation (i.e., when adaptation responses increase risk over time and space, instead of reducing it).<sup>13</sup>

Sub-Saharan African countries and communities typically lack financial protection against the impacts of climate change and natural hazards and depend on generally unreliable ex-post measures (e.g., budget reallocations, donor assistance, tax increases, and post disaster loans) that often come late, uncoordinated and are insufficient to meet financing needs, and disrupt other crucial long-term development efforts. While implementation of Disaster Risk Finance activities in the region has expanded over the past decade, contributing to some degree to the strengthening of financial resilience of African countries and that of their poor and vulnerable citizens to shocks, overall insurance penetration continues at less than 2% of GDP. African countries thus remain inadequately prepared to encounter climate risks through finance and insurance mechanisms. For example, 90% of climate disaster losses in 2018 were uninsured, leaving a large risk protection gap in Africa. There is, therefore, an evident need to further develop the risk financing landscape through innovative solutions to finance disaster related anticipatory action, response, recovery, and reconstruction. Climate and Disaster Risk Finance and Insurance (CDRFI) are such innovative instruments capable of strengthening financial resilience and protection in case of climate and natural hazard events, helping to minimise the cost and optimise the timing of meeting post-disaster funding needs without compromising development goals, fiscal stability or wellbeing. CDRFI promotes comprehensive financial protection strategies and market-based disaster risk financing and insurance solutions to ensure that governments, homeowners, small and medium-sized enterprises, agricultural producers, and people in the most vulnerable situations can meet post-disaster funding needs as they arrive. However, capacities at regional and national levels to plan, develop and implement CDRFI strategies, tools and mechanisms are yet limited, and therefore, need to be developed.

Identification of main stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

The main stakeholders of the Action include:

<sup>9</sup> The New European Consensus on Development 'Our World, Our Dignity, Our Future' Joint Statement by the Council and the Representatives of the Governments of The Member States Meeting within the Council, the European Parliament and the European Commission. [https://ec.europa.eu/international-partnerships/europeanconsensus-development\\_en](https://ec.europa.eu/international-partnerships/europeanconsensus-development_en)

<sup>10</sup> Commission's Communication COM(2019)640 of 11 December 2019.

<sup>11</sup> EU's Action Plan on Gender Equality and Women's Empowerment in External Action 2021–2025 (GAP III); [https://international-partnerships.ec.europa.eu/system/files/2021-01/join-2020-17-final\\_en.pdf](https://international-partnerships.ec.europa.eu/system/files/2021-01/join-2020-17-final_en.pdf)

<sup>12</sup> World Meteorological Organization, op.cit., 2021.

<sup>13</sup> United Nations Environment Programme (2022). Adaptation Gap Report 2022: Too Little, Too Slow – Climate adaptation failure puts world at risk. Nairobi. <https://www.unep.org/adaptation-gap-report-2022>



- (i) Regional institutions. The AUC and its organs (e.g., AUC-SEBE – DRR, Climate, Environment, Blue Economy and Water Units), the African Risk Capacity (ARC) Group, and other African institutional partners and African specialised agencies, such as the African Working Group on Disaster Risk Reduction (AWGDRR), the Africa Regional Platform for Disaster Risk Reduction, the Committee of African Heads of State and Government on Climate Change (CAHOSCC), or the African Group of Negotiators on Climate Change (AGN), or the DRR and Climate units and Climate Centres within the RECs (IGAD, EAC, SADC, ECOWAS).
- (ii) AU member governments. Ministries in charge of national disaster risk management, climate change, planning and finance, and other relevant government institutions, at national and sub-national levels.
- (iii) International and African financial and insurance institutions, such as the EIB, AfDB, National Insurance Institutions, National Agencies dealing with DRR and emergency response, the African Risk Capacity (ARC) Group, InsuResilience Solutions Fund (ISF), Global Shield Solutions Platform and facility (GS-SP), InsuResilience and Global Shield Secretariat.
- (iv) African and European research centres, universities or think-tanks involved in climate and disaster risk financing activities, that undertake R&D towards developing innovative, efficient and effective tools and products aligned with the needs of African countries, setting the standard for best practice in this space.
- (v) Private sector. The private sector, in particular, insurance companies and finance providers, business associations and small and medium enterprises, will be key for the development and operation of CDRFI markets, instruments and mechanisms. Strong legal and institutional frameworks will be needed to set the right incentives for financial risk reduction in the public and private sectors.

The ultimate beneficiaries of the action are the people in SSA countries, especially women and people in the most vulnerable situations, facing recurrent crisis. As the impacts of climate change and natural hazard related disasters are more pronounced and disproportionate for vulnerable populations such as children, elderly, girls and women, and minorities, a significant programme objective will be to tailor the instruments to be developed to the needs of these groups. Moreover, since EU has ratified the Convention on the Rights of the People with Disabilities, a specific attention will be paid to the rights, needs and inclusion of on persons with disabilities.

### 3 DESCRIPTION OF THE ACTION

#### 3.1 Objectives and Expected Outputs

The **Overall Objective (Impact)** of this action is **to enhance the financial protection to populations, livelihoods, ecosystems and assets against the impacts of climate change and natural hazards in Sub-Saharan Africa.**

The **Specific(s) Objective(s) (Outcome)** of this action are to:

**SO1:** Improve the understanding and management of climate and disaster risks and CDRFI mechanisms in AU Member States

**SO2:** Increase the availability of effective CDRFI solutions offered to AU countries and populations.

**SO3:** Increase access of AU Member States to CDRFI tools and products

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

Contributing to Outcome 1 (or Specific Objective 1):

1.1 Capacity building and risk analytics for CDRFI are conducted in AU Member States and the respective Regional Economic Communities (RECs).

1.2 Climate and natural hazard risk modelling in AU Member States is supported.

Contributing to Outcome 2 (or Specific Objective 2):

2.1 Comprehensive tailored CDRFI support programmes (including developing disaster risk finance strategies) for AU Member States are developed.

2.2 CDRFI tools and products (e.g., insurance, CAT DDOs, Contingent lines of credit, among others) are conceptualised.

2.3 The development of regional and national CDRFI markets is supported.

Contributing to Outcome 3 (or Specific Objective 3):

3.1 Financial support (i.e., Premium Subsidies) for implementation of CDRFI products is provided.

3.2 Financial support (Capital support) for the set-up/strengthening of relevant instruments and implementing entities is provided.

## 3.2 Indicative Activities

Activities relating to Specific Objective 1 include:

Activities relating to Output 1.1:

- Review the stocktake and gap analysis conducted within the Global Shield In-Country Dialogue, as well as the subsequent recommendations of the Technical Advisory Group;
- Commission and fund climate risk analysis for partner countries or partners benefitting under global or regional thematic windows including stocktake and gap analysis of existing climate risk models and data as well as climate risk profiles and analyses leveraging the expertise and capabilities of the private sector;
- Finance collection, quality assessments and providing access to open-source climate risk data (amongst others, exposure, vulnerability, loss data);
- Sponsor national, regional and global trainings on climate and disaster risk analysis and CDRFI solutions development, building on prior national and regional training efforts;
- Commission supporting research on the impacts of CDRFI solutions as a continuous learning process and guidance for strategic development of GSSP;
- Analyse country specific existing traditional risk management mechanisms to assess resilience gaps, e.g., informal risk reduction mechanisms, specifically taking into account gender aspects and inclusion of disadvantaged groups;
- Awareness raising for climate risks and advocacy for CDRFI solutions within the In-Country Dialogue especially among stakeholders of civil society and private sector, or by means of specific global and regional CDRFI events and GSSP workshops;
- Awareness raising campaigns, publications and events reporting on GSSP activities with the objective of further GSSP fund raising.
- Knowledge sharing and active interaction across the region, including through online facilitation.

Activities relating to Output 1.2:

- Finance development or improvement of local/national or regional hazard models, exposure data and vulnerability assessments based on gap analyses;
- Finance the establishment/improvement of and access to open-access climate databases/platforms.

Activities relating to Specific Objective 2 include:

Activities relating to Output 2.1:

- Structure complementary CDRFI support programmes for and in close cooperation with partner countries taking into account stocktake and gap analyses conducted within the in-country dialogue and support offered through existing CDRFI initiatives and programmes;
- Conduct an inventory and review of insurance products available on the African market.

Activities relating to Output 2.2:

- Provide technical support to AU Member States in the development of CDRFI solutions (including contingency plans, solutions for disaster relief, shock resilient social protection, parametric and forecast-based financing for anticipatory action, climate-resilient debt structuring, debt payment suspension, shock-resilient loans and business liquidity protection, CAT-DDOs, CAT-Bonds, among others), enhancing coherence and alignment of the various CDRFI tools available at local/national level;
- Support the pre-identification and registration of vulnerable households/ beneficiaries;
- Explore the use of technology and innovation to further enhance beneficiary targeting mechanisms.

Activities relating to Output 2.3:

- Support the engagement of private sector entities to promote the development of regional and national CDRFI markets;
- Design and implement country specific Calls for Proposals for CDRFI solutions in close dialogue with respective Global Shield partner country leveraging expertise and capacities of the private sector.

Activities relating to Specific Objective 3 include:

Activities relating to Output 3.1:

- Structure and (co-)fund premium support (Premium subsidies) for CDRFI solutions (including solutions for disaster relief, shock resilient social protection, parametric and forecast-based financing for anticipatory action, climate-resilient debt structuring, debt payment suspension, shock-resilient loans and business liquidity protection, CAT-DDOs, CAT-Bonds, set-up costs for regional / (sub-) sovereign national disaster risk funds based on InsuResilience Global Partnership principles on SMART Premium Support);
- Promote the adoption of complementary risk financing mechanism;
- Provide co-(re) insurance to local and regional (re) insurance companies;
- Commission and fund studies for long-term strategy on financing CDRFI Premium Support.

Activities relating to Output 3.2:

- Structure and (co-)fund premium support (Capital subsidies) for CDRFI solutions (based on InsuResilience Global Partnership principles on SMART Capital Support);
- Co-fund improvement of payout mechanisms, a.o., through capacity building, financial contributions for set-up costs and data management systems;
- Commission and fund studies for long-term strategy on financing CDRFI Capital Support.

In all these activities a gender responsive/transformational approach will be promoted.

The commitment of the EU's contribution to the Team Europe Initiative to which this action refers, will be complemented by other contributions from Member States and/or European financing institutions following a Team Europe approach. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

### 3.3 Mainstreaming

#### **Environmental Protection & Climate Change**

By design, the Action addresses crosscutting themes such as environmental sustainability and climate action.

With regards to climate action, the Action specifically focuses on climate change adaptation. It will enhance the protection of vulnerable populations in African countries and communities to the impacts of climate change and natural hazard events by strengthening financial resilience and protection through the development and implementation of CDRFI instruments.

SEA (Strategic Environmental Assessment), EIA (Environmental Impact Assessment) and CRA (Climate Risk Assessment) screening are not necessary.

#### **Gender equality and empowerment of women and girls**

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that gender equality is a significant objective. Given the unequal impact of climate change and natural hazard events on women and the unequal access by women to protection against the impacts of climate change and natural hazards, it is imperative that the development and implementation of CDRFI instruments and markets is undertaken in a gender responsive way. As such, the Action will encourage: i) participation of women in the development of all instruments and mechanisms under the Action; ii) the development of gender-responsive CDRFI solutions and markets; iii) the promotion of CDRFI tools and products for vulnerable populations in a gender-responsive way; and iv) the development of gender-responsive complementary financial instruments. The Action considers that gender inequality is crucial for climate adaptation.

### **Human Rights**

Access to a safe environment is a human right (United Nations Human Rights Council 48 session, October 2021). This Action will focus on protecting the most vulnerable populations in Africa against the impact of climate change and natural hazard events, thus, enabling people amongst the poorest in the world better access to this human right. The Action will engage as much as possible all relevant stakeholders at regional, national and sub-national levels in order to achieve a broad and comprehensive understanding of the affected population's situations and needs and encourage their contribution to tailored CDRFI mechanisms, with a focus on women but also on minority communities, those living in the most vulnerable situations and displaced persons. Human rights-based approach and its key principles (participation, non-discrimination, accountability and transparency) will be integrated throughout the action.

### **Disability**

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that working on disability-related issues is not a main objective in this Action. However, climate change and natural hazards have a direct impact on the rights of people with disabilities according to the Office of the High Commissioner for Human Rights. Moreover, the EU has ratified the Convention on the Rights of the People with Disabilities. Thus, while no specific action directly targeting disability is foreseen, the Action focuses on protecting the most vulnerable populations against the impacts of climate change and natural hazards, including people with disabilities, and as such, the specific rights, needs and inclusion of disabled beneficiaries (including for access to the CDRFI instruments and markets supported by this Action) will be duly assessed and addressed.

### **Democracy**

The Action will seek strong involvement of all relevant authorities at regional, national and sub-national levels to foster ownership and sustainability. Civil society, too, will be involved whenever possible.

### **Conflict sensitivity, peace and resilience**

The Action directly addresses situations of crisis and resilience, as it aims at protecting vulnerable populations from recurrent crisis and shocks caused by the impact of climate change and natural hazard events. In addition, the Action will further consider climate and disaster displaced populations in the development of tailored CDRFI solutions.

### **Disaster Risk Reduction**

Through the development and implementation of CDRFI solutions and instruments, this Action will reduce the financial impact of climate change and natural hazard related disasters on vulnerable communities and populations, therefore directly addressing/targeting Disaster Risk Reduction. Developed insurance markets also contribute to disaster risk reduction and resilience through the dissemination of risk information.

### **Other considerations if relevant**

N/A

## **3.4 Risks and Lessons Learnt**

<b>Category</b>	<b>Risks</b>	<b>Likelihood (High/</b>	<b>Impact (High/</b>	<b>Mitigating measures</b>
-----------------	--------------	------------------------------	--------------------------	----------------------------

		<b>Medium/ Low)</b>	<b>Medium/ Low)</b>	
Internal Risk (reputational)	Risk 1: A failure to adopt the action in time for the COP28 and deliver on the EVP pledge would entail a reputational risk for the EU.	<b>Medium</b>	<b>High</b>	Commission services to ensure that timelines for the adoption of the action are enforced and the action is adopted prior to COP28.
Operations	Risk 2: The Global Shield Solutions Platform remains a new instrument which has not been proofed. The limited operationalisation creates an operational risk of not being able to deliver on the targets.	<b>Medium</b>	<b>High</b>	The experience of the Frankfurt School for Finance and Management with the Insuresilience Solutions Fund allows for a rapid operationalisation of the platform. Significant contributions from donors as well as donor's commitment ease the establishment of the Platform and its entry into function.
Operations	Risk 3: ARC operations remain mostly dependent on donor's support which increases the risk of disruption of operations if contributions are not predictable and guaranteed.	<b>Medium</b>	<b>High</b>	Promote through the Board an increasing auto-sufficiency and sustainability of ARC. Improve donor coordination for coordinated support through the donor coordination group.
Governance (People and organisations)	Risk 4: The lack of coordination amongst donors may create further implementation risks and may cast doubt on the effectiveness of the Team Europe approach in general.	<b>Medium</b>	<b>Medium</b>	The functioning and governance of the GS-SP caters for maximum donor inclusion and equal voting rights in the direction of the platform. The donors' group to the ARC allows for a collegial and coordinated engagement with the ARC Group.

#### **Lessons Learnt:**

The Action will build on the lessons learnt from experienced DRR/DRF partners and prior EU initiatives on disaster risk reduction, disaster risk finance and climate change adaptation at continental, multi-country and regional levels.

Specifically, programmes such as the 11<sup>th</sup> EDF Intra-ACP Natural Disaster Risk Reduction Programme (ACP/FED/041-233) and older programmes.<sup>14</sup> Some of the lessons learned include:

#### Recent developments in Disaster Risk Financing in SSA:

- A decade ago, very few risk financing mechanisms existed in the region. The need for new solutions was evident, and over the last decade, Disaster Risk Finance (DRF) activities expanded in the region as part of the countries' broader disaster risk management agenda, seeing the development of a range of ex-ante and ex-post financing tools. Despite recent developments in DRF aimed at strengthening the financial resilience of African countries to shocks, in particular, that of their poor and vulnerable citizens, the disaster response by national and local governments, homeowners, businesses, agricultural producers, and low-income populations remains inconsistent, slow and insufficient, and countries remain heavily dependent on external aid.
- National and local governments from disaster-affected countries still lack coordinated plans for post-disaster actions and access to immediately available financing sources to implement recovery efforts, and often still need to reallocate funds within budgets, disrupting other crucial long-term development efforts.
- African countries have limited access to climate and disaster risk finance and insurance (CDRFI) at all levels, have limited insurance markets and products, and limited capacity at sovereign and sub-sovereign levels to develop and implement disaster risk financing strategies, tools and mechanisms.
- Interest in strengthening disaster risk financing (DRF) mechanisms has grown in recent years, both globally and in Africa, albeit from a very low base. There has been a general increase in understanding of, demand for support and tremendous drive and engagement by Sub-Saharan African countries to work on the Disaster Risk Financing (DRF) agenda, driven primarily by the African Risk Capacity and the World Bank Group. However, DRF is not yet institutionalised in most countries. The political and economic imperative for DRF is weak in the face of competing priorities and decision-makers do not systematically prioritise investments in building financial resilience, making it a challenging context for the development and implementation of CDRFI solutions.

#### Design, implementation, and operationalisation of effective and sustainable DRF solutions for governments in the Africa region:

- Developing suitable risk finance interventions requires high initial investment costs. Country engagements must therefore be selected based on highest impact potential, clearly defined policy priorities, and strong demand by country governments. Strong country commitment is recommended for strategic initial investments.
- Early analytical work enables initial fiscal and economic impact analyses, feasibility assessments of projects, and the subsequent policy design.
- The cross-cutting nature of risk finance requires a holistic approach across several policy sectors, technical fields, and impact areas (multi-sectoral collaboration). Interventions to mobilise resources need to be integrated as part of a broader, comprehensive program design that leverages different expertise and skill sets.
- The operational success of the African engagements also makes them a blueprint for countries in other regions that face similar challenges. Global momentum on the risk finance agenda from multilateral partnerships and financial contributors have led to the mobilisation of additional human, technical, and financial resources.
- Continued capacity strengthening and technical assistance are essential for enabling government leadership of risk finance initiatives, and therefore, should be prioritised.
- Given the volatility of government interest and capacity to participate, engagements need to have a flexible project implementation set-up, in order to ensure that most critical needs are prioritised.
- Strong pilot projects scale up country interest and global momentum. The novel, complex, and diverse nature of risk finance may limit understanding of and focus on the agenda. However, successful projects have a multiplier effect; strong-performing (pilot) projects serve as a proof-of-concept to client counterparts and other governments, and increase interest in extending existing or creating new risk finance solutions. Building on their operational success, the African engagements are serving as a blueprint for client countries in other regions that face similar challenges. Global momentum on the risk finance agenda from multilateral partnerships and financial contributors is leading to the mobilisation of additional human, technical, and financial resources.
- It is important to promote cross-country learning exchanges which leverage and contribute to the global knowledge agenda on disaster risk finance.

<sup>14</sup> FED/2010/022103; FED/2013/24496; FED/2013/024192; FED/2012/023785

- Given the quickly evolving risks and technical solutions context, strategic approaches should take advantage of new tools to tailor dynamic solutions that can adapt to these changing circumstances.
- There is an unequal access by women, and other vulnerable populations, to protection against the impacts of climate change and natural hazards. The needs of women and other vulnerable populations should, therefore, be considered and integrated in the design of disaster risk financing solutions to avoid that women and girls resort to negative coping strategies devastating their welfare.

#### Existing CDRFI instruments:

- Established in 2012 by the African Union (AU) ‘to help African governments improve their capacities to better plan, prepare, and respond to extreme weather events and natural disasters’, the African Risk Capacity (ARC) serves as an operational and concrete example of countries taking innovative steps to improve their national capacities to manage and reduce risk. ARC was the first insurance pool in Africa, and the first in the world that linked pay-outs to pre-approved contingency plans.
- By allowing member states to capitalise on the natural diversification of weather risk across the continent (it is unlikely that the same hazard will occur in all countries at the same time) and insuring them as a group (risk pool), ARC premiums are significantly more affordable than they would be for countries approaching the market alone.
- Initially established to provide drought insurance to five countries (Kenya, Mauritania, Mozambique, Niger and Senegal), ARC’s portfolio continues to grow. It currently offers insurance products for rangeland drought, tropical cyclones, and outbreaks and epidemics, and a flood product is under development and expected to be launched before the end of 2023. ARC Replica was also introduced to allow UN agencies and other humanitarian actors to match ARC country insurance policies. As new products are developed, the risk pool will become more diverse, reducing insurance costs further.
- Through the promotion of effective and efficient contingency planning and financing, it serves as a model for holistic action to meet the Sendai Framework objectives, and offers valuable lessons for the new international disaster risk management framework.
- To increase capacity of the beneficiaries and improve the penetration and effectiveness of the action, it is useful to encourage advanced countries and stakeholders to consolidate their skills and capacity to serve as direct south-south models in less advanced countries.
- All work needs to be gender-sensitive, and include people in vulnerable situations, minorities, indigenous people, and people with disabilities, who are the most knowledgeable about what affects them during and after disasters.

### 3.5 The Intervention Logic

The underlying intervention logic for this action is that the Action will help enhance the financial protection of AU MS (populations, livelihoods, ecosystems and assets), by improving the understanding and management of climate and disaster risks, and CDRFI mechanisms in AU Member States, increasing the availability of effective and tailored CDRFI solutions to AU countries and populations, and increasing access of AU MS to CDRFI products and tools.

Indeed, if capacities of government institutions on CDRFI are built, and risk analytics and climate and hazard risk modelling is supported in AU MS, then the understanding and management of CDRFI and climate and disaster risks in general will be improved in these countries. Also, if tailored support programmes on CDRFI are developed, as part of which layered DRF approaches (DRF strategies) may be developed for AU MS, CDRFI tools and products are conceptualised (different for each country), and the development of regional and national CDRFI markets is supported (e.g., the private sector is engaged for the development of these markets), then the availability of effective and tailored CDRFI solutions offered to AU countries and populations will be increased. And finally, if financial support is provided for setting up or strengthening relevant CDRFI instruments and implementing entities and for implementing the actual CDRFI products, then access of AU MS to CDRFI tools and products will be increased.

The present Action will help leverage the visibility of the EU as an enabler and active contributor of increased climate adaptation and disaster risk finance and insurance in Sub-Saharan Africa, contributing to the implementation of AU's Climate Change and Resilient Development Strategy and Action Plan (2022-2032), to the defragmentation of the CDRFI landscape in the region and to addressing loss and damage.



### 3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baselines (values and years) 2023	Targets (values and years) 202X	Sources of data	Assumptions
<b>Impact</b>	To enhance the financial protection to populations, livelihoods, ecosystems and assets against the impacts of climate change and natural hazards in Africa	<p>1. Number # of persons covered by Climate and Disaster Risk Finance and Insurance (CDRFI) solutions and mechanisms (disaggregated at least by sex and age, contract and country)<sup>15</sup></p> <p>2. Level of coverage with respect to actual annual losses (disaggregated by country) (in %)<sup>16</sup></p>	<p>1. TBD at the inception phase (2023)</p> <p>2. TBD (2023)</p>	<p>1. TBD (202X)</p> <p>2. TBD (202X)</p>	<p>1. Progress reports from GSSP</p> <p>2. Progress reports from GSSP. Estimates for Annual Average Loss by Global Shield Secretariat or other existing risk analysis</p>	<i>Not applicable</i>
<b>Outcome 1</b>	1. To improve the understanding and management of climate and disaster risks and	1.1 Number # of countries that have accessible, understandable, usable and	1.1 TBD (2023)	1.1 TBD (202X)	1.1 Progress reports from	Offer of Global Shield remains internationally acknowledged

<sup>15</sup> GSSP Outcome 3, indicator OP3.2 / also ARC Impact indicator 1 (overall framework)

<sup>16</sup> Reference GSSP Output Component 3, Indicator 3.4: % of Average Annual Losses of relevant target group reduced by CDRFI solutions (co-)funded for implementation

	CDRFI mechanisms in AU Member States (ARC & GSSP)	<p>relevant climate and disaster risk information and assessments available through support of the Action<sup>17</sup></p> <p>1.2 Number of countries using ARC risk modelling tools for seasonal analysis and monitoring<sup>18</sup> (disaggregated by country)</p> <p>1.3 Number # of ARC Member States that have a valid Certificate of Good Standing (CoGS)<sup>19</sup></p>	<p>1.2 TBD (2023)</p> <p>1.3 TBD (2023)</p>	<p>1.2 TBD (202X)</p> <p>1.3 TBD (202X)</p>	<p>Global Shield Solutions Platform</p> <p>1.2 ARC annual reports</p> <p>1.3 Signed customisation report, Approved contingency plans ARC annual reports</p>	<p>and accepted by African countries as contribution to Loss and Damage.</p> <p>African countries will appoint a liaison person/institution that is successful in managing the in-country process.</p> <p>In-country dialogues will result in a request for CDRFI support within a reasonable time of 6-12 months.</p> <p>African countries choose GSSP as financing vehicle for CDRFI support; decision for GSSP will sustain potential changes in governments and responsibilities.</p>
<b>Outcome 2</b>	2. To increase the availability of effective CDRFI solutions offered to AU countries and populations (ARC & GSSP)	<p>2.1 Number # of CDRFI solutions that are developed and operational in AU countries (disaggregated per typology, status, contract and country)<sup>20</sup></p> <p>2.2 Number # of countries implementing CDRFI policies/strategies (disaggregated by country)</p>	<p>2.1 TBD (2023)</p> <p>2.2 TBD (2023)</p>	<p>2.1 TBD (202X)</p> <p>2.2. TBD (202X)</p>	<p>2.1 Progress reports from Global Shield Solutions Platform (GSSP)</p> <p>2.2 Texts of policies and regulations ARC Ltd. issued policies</p>	<p>AU countries choose GSSP as financing vehicle for CDRFI support; decision for GSSP will sustain potential changes in governments and responsibilities.</p> <p>The AU Member States have the basic institutional, financial and, administrative mechanisms and procedures for a timely and effective implementation of disaster response</p>

<sup>17</sup> GSSP Outcome 1, Indicator OC1.1

<sup>18</sup> ARC SO/Outcome 1, Indicator 1.1 of EU-ARC contract

<sup>19</sup> ARC Outcome 2 Indicator 4 (overall framework)

<sup>20</sup> GSSP Outcome 2, Indicator OC2.1 / ARC Outcome 1, Indicator 3 (overall framework)

<b>Outcome 3</b>	3. To increase access of AU Member States to CDRFI tools and products (GSSP)	3.1 Number # of countries acquiring CDRFI policies <sup>21</sup>  3.2 Total volume of domestic resources mobilised by the Governments for acquiring CDRFI policies	3.1 TBD (2023)  3.2 TBD (2023)	3.1 TBD (202X)  3.2 TBD (202X)	3.1 Reports from Global Shield Solutions Platform 3.2 Government reports	Approval process within AU countries allows timely start and implementation of CDRFI solution implementation and completion of Grant Agreement.  Political stability allows implementation within the foreseen period.
<b>Output 1 relating to Outcome 1</b>	1.1 Capacity building and risk analytics for CDRFI are conducted in AU member States	1.1.1 Number # of climate risk analyses and risk profiles for countries conducted / updated with the support of the EU <sup>22</sup> (disaggregated by country)  1.1.2 Number # of public officials and/or technical experts trained by the EU intervention in national, regional, and global trainings on climate and natural hazard risk analysis and CDRFI (disaggregated by sex and country) <sup>23</sup>	1.1.1 0 (2023)  1.1.2 0 (2023)	1.1.1 TBD (202X)  1.1.2 TBD (202X) M: X F: X	1.1.1 Progress reports from Global Shield Solutions Platform (GSSP)  1.1.2 Pre- and post-training test reports (ARC) & Progress reports from Global Shield Solutions Platform (GSSP)	Climate risk analysis offer additionality over existing risk profiles and analyses.  Sufficient country demand for climate risk analysis and capacity building.  Thematic programmes are developed and submitted alongside in-country dialogue.  Sufficient in-country stakeholder acceptance.
<b>Output 2 relating to Outcome 1</b>	1.2 Climate and natural hazard risk modelling in AU Member States is supported	1.2.1 Number # of ARC hazard modelling products developed/evaluated <sup>24</sup> with the support of the EU (disaggregated by country)  1.2.2 Number of open-access climate databases /platforms established/improved and made accessible to AU	1.2.1 0 (2023)  1.2.2 0 (2023)	1.2.1 TBD (202X)  1.2.2 TBD (202X)	1.2.1 ARC Annual report  1.2.2 Progress Reports from Global Shield Solutions Platform (GSSP)	Data and risk models for relevant climate hazards in the respective country or for the thematic window are available or can be developed within project implementation time and/or acquired within limits of budget attributed.  Countries accept open-source standards for climate risk models and data requested by GS SP.

<sup>21</sup> GSSP Outcome Component 3, Indicator OC3.1

<sup>22</sup> GSSP Output 1 Component 1, Indicator OP1.1

<sup>23</sup> GSSP Output 1 Component 1, Indicator OP1.2

<sup>24</sup> ARC Output 1.1, Indicator 1.1a

		Member States <sup>25</sup> with the support of the EU (disaggregated by country)				Sufficient in-country stakeholder acceptance.
<b>Output 1 relating to Outcome 2</b>	2.1 Comprehensive tailored CDRFI support programmes (including developing disaster risk financing strategies) for AU Member States are developed	2.1.1 Number # of CDRFI country support programmes and thematic windows developed <sup>26</sup> with the support of the EU (disaggregated by country)	2.1.1 0 (2023)	2.1.1 TBD (202X)	2.1.1 Progress reports of the intervention & GSSP Progress Reports	Results of Gap Analysis from in-country dialogue and climate risk analyses indicate CDRFI solutions as effective and efficient instrument to avert, minimise and address impacts of climate change.
<b>Output 2 relating to Outcome 2</b>	2.2 CDRFI tools and products (e.g., insurance, CAT DDOs, Contingent lines of credit, among others) are conceptualised	2.2.1 Number # of CDRFI concepts for partner countries and thematic windows developed with the support of the EU (disaggregated by contract and by country) <sup>27</sup> 2.2.2 Number of CDRFI tools and products supporting anticipatory action developed with support of EU.	2.2.1 0 (2023)	2.2.1 TBD (202X)	2.2.1 Progress reports of the intervention & GSSP Progress Reports	Countries request support for development of CDRFI solutions under GSSP.  AU countries engage in co-development process of CDRFI solutions and approve development of solutions. Approval process within AU countries allows timely start and implementation of CDRFI solution development and completion of Grant Agreement.
<b>Output 3 relating to Outcome 2</b>	2.3 The development of regional and national CDRFI markets is supported	2.3.1 Number of private sector entities supported to promote the development of CDRFI solutions <sup>28</sup> (disaggregated by country)	2.3.1 0 (2023)	2.3.1 TBD (202X)	2.3.1 Progress reports of the intervention & GSSP Progress Reports	
<b>Output 1 relating to Outcome 3</b>	3.1 Financial support (i.e., Premium subsidies) for implementation of CDRFI products is provided	3.1.1 Number of CDRFI solutions in partner countries (co-)funded for implementation <sup>29</sup> with the support of the EU (disaggregated by country)	3.1.1 0 (2023)  3.1.2 0 (2023)	3.3.1 TBD (202X)	3.3.1 Progress reports of the intervention & GSSP Progress Reports	Approval process within AU countries allows timely start and implementation of CDRFI solution implementation and completion of Grant Agreement.

<sup>25</sup> GSSP Output 2 Component 1, Indicator OP1.3

<sup>26</sup> GSSP Output 1 Component 2 Indicator OP2.1

<sup>27</sup> GSSP Output 1 Component 2 Indicator OP2.2 / ARC Output Indicator 1.2a (overall framework)

<sup>28</sup> GSSP Output 1 Component 2 Indicator OP2.3

<sup>29</sup> GSSP Output 1, Component 3, Indicator OP3.1

		3.1.2 Volume of Premium Subsidies provided in support of partner countries and projects supported under global and regional thematic windows <sup>30</sup> (In Euros) (disaggregated by country)		3.1.2 TBD (202X)	3.1.2 Progress reports of the intervention & GSSP Progress Reports	Political stability allows implementation within the foreseen period.
<b>Output 2 relating to Outcome 3</b>	3.2 Financial support (Capital support) for the setup/strengthening of relevant instruments and implementing entities is provided	3.2.1 Volume of Capital provided in support of relevant instruments and implementing entities <sup>31</sup> (in Euros) (disaggregated by country)	3.2.1 0 (2023)	3.2.1 TBD (202X)	3.2.1 Progress reports of the intervention & GSSP Reports	

<sup>30</sup> GSSP Output 1, Component 3, Indicator OP3.3

<sup>31</sup> GSSP Output 1, Component 3, Indicator OP3.3

## 4 IMPLEMENTATION ARRANGEMENTS

### 4.1 Financing Agreement

In order to implement this action, it is not envisaged to conclude a financing agreement.

### 4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 72 months from the date of adoption by the Commission of this Financing Decision. Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

### 4.3 Implementation of the Budget Support Component

N/A

### 4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures<sup>32</sup>.

#### 4.4.1 Direct Management (Grants)

##### **Grants: (direct management)**

##### **(a) Purpose of the grant(s)**

The grant shall contribute to achieving part of the expected results under Specific Objective 1 of the Action: To improve the understanding and management of climate and disaster risks in AU Member States; Specific Objective 2 of the Action: To increase the availability of effective CDRFI solutions offered to AU countries and populations; and Specific Objective 3 of the Action: To increase access of AU Member States to CDRFI tools and products.

In particular, the grant will support the Global Shield Solutions Platform (component 1), directly contributing to Outputs:

- 1.1 Capacity building and risk analytics for CDRFI are conducted in AU Member States.
- 1.2 Climate and natural hazard risk modelling in AU Member States is supported.
- 2.1 Comprehensive tailored CDRFI support programmes (including developing disaster risk financing strategies) for AU Member States are developed.
- 2.2 CDRFI tools and products (e.g., insurance, CAT DDOs, Contingent lines of credit, among others) are conceptualised.
- 2.3 The development of regional and national CDRFI markets is supported.
- 3.1 Financial support (ie.e, Premium Subsidies) for implementation of CDRFI products is provided.
- 3.2 Financial support (Capital support) for the set-up/strengthening of relevant instruments and implementing entities is provided.

##### **(b) Type of applicants targeted**

Public or private entities, non-profit entities such as NGOs, or research organisations, based in Europe or Africa.

<sup>32</sup> [www.sanctionsmap.eu](http://www.sanctionsmap.eu). Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

-----  
The part of the action under the budgetary envelope reserved for grants may, partially or totally and including where an entity is designated for receiving a grant without a call for proposals, be implemented in indirect management with an entity, which will be selected by the Commission's services using the criteria defined in section 4.4.2 below.

#### 4.4.2 Indirect Management with an entrusted entity

A part of this action (component 2) may be implemented in indirect management with an entity, which will be selected by the Commission's services using the following criteria:

- Have thematic and regional expertise in the development and implementation of CDRFI solutions and mechanisms;
- Have the capacity to support African countries and relevant stakeholders in the area of CDRFI;

The implementation by this entity (under component 2) will support the African Risk Capacity, directly contributing to Outputs:

- 1.1 Capacity building and risk analytics for CDRFI are conducted in AU Member States.
- 1.2 Climate and natural hazard risk modelling in AU Member States is supported.
- 2.2 CDRFI tools and products (e.g., insurance, CAT DDOs, Contingent lines of credit, among others) are conceptualised.

#### 4.4.3 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

For component 2, where indirect management as described in section 4.4.2 cannot be implemented due to circumstances outside of the Commission's control, that part of the action may be implemented in direct management (grant).

##### **(a) Purpose of the grant(s)**

The grant shall contribute to achieving part of the expected results under Specific Objective 1 of the Action: To improve the understanding and management of climate and disaster risks in AU Member States; Specific Objective 2 of the Action: To increase the availability of effective CDRFI solutions offered to AU countries and populations.

In particular, the grant will support the African Risk Capacity, directly contributing to Outputs:

- 1.1 Capacity building and risk analytics for CDRFI are conducted in AU Member States.
- 1.2 Climate and natural hazard risk modelling in AU Member States is supported.
- 2.2 CDRFI tools and products (e.g., insurance, CAT DDOs, Contingent lines of credit, among others) are conceptualised.

##### **(b) Type of applicants targeted**

International organisations, public or private entities, non-profit entities such as NGOs, or research organisations, based in Europe or Africa.

#### 4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply, subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other

duly substantiated cases where application of the eligibility rules would make the carrying out of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

#### 4.6. Indicative Budget

<b>Indicative Budget components</b>	<b>EU contribution (amount in EUR)</b>
<b>Implementation modalities</b> – cf. section 4.4	
<b>Component 1</b> – Grants (direct management) – cf. section 4.4.1	30 000 000
<b>Component 2</b> – Indirect management with an entrusted entity- cf. section 4.4.2	10 000 000
<b>Grants</b> – total envelope under section 4.4.1	30 000 000
<b>Evaluation</b> – cf. section 5.2 <b>Audit</b> – cf. section 5.3	may be covered by another Decision
<b>Contingencies</b>	NA
<b>Totals</b>	40 000 000

#### 4.7 Organisational Set-up and Responsibilities

This Action contributes to the TEI on Climate Change Adaptation and Resilience in Africa. The implementation arrangements will, therefore, align with those put in place for this TEI, and include coordination arrangements both in Europe and Africa, amongst others.

For the specific implementation arrangements of this Action, they will follow the ones of the implementing entities.

For component 1: The GSSP implementation arrangements are still being finalised. It will function mainly through in-country dialogue and providing CDRFI support programmes and solutions through activities along the value chain, including:

- Supporting comprehensive climate risk analysis, data and modelling support, as well as project related research as a vital basis for defining needs-based climate risk management and finance strategies as well as to inform the GSSP in the further development of its strategic focus.
- Funding studies and providing advice for the design and development of new concepts and solutions for CDRFI solutions taking into account the specific needs of the poor and vulnerable population.
- Supporting the implementation of innovative climate risk finance and insurance products including SMART Premium and Capital support.

Building on proven structures of public-private partnerships developed within the InsuResilience Solutions Fund, the GSSP will leverage the private sector expertise and experience. Offering countries access to the capacity and capabilities of different insurance market actors and intermediaries including insurers, reinsurers, brokers, risk modellers, and service providers but also partners from academia, civil society and the humanitarian sector, the GSSP helps countries to find the best-fit solution.

For component 2: The ARC Group is composed of two entities: ARC Agency, a Specialised Agency of the African Union, and ARC Insurance Company Limited (ARC Ltd), the financial affiliate of the Group. ARC Agency is a cooperative mechanism responsible for providing general oversight of the programme and provision of capacity building services to Member States; approving country-owned contingency plans and monitoring their implementation in the event of a payout. On the other hand, ARC Ltd carries out commercial insurance functions of risk pooling and risk transfer in accordance with national regulations for parametric weather insurance in Bermuda (where it is located until such time that an equally favourable legal and regulatory regime exists in an AU Member State – See Article 11 of the Establishment Agreement).

In order to participate in ARC, countries must undertake several processes, including customising the Africa RiskView software, signing MOUs for in-country capacity building, defining a contingency plan for ARC payouts, and determining risk transfer parameters.



When countries have satisfactorily completed this process, they will receive a Certificate of Good Standing from the ARC Agency Governing Board, and will pay a premium to ARC Ltd, after which they will be members of the risk pool.

No additional technical steering committees or technical working groups will be set up as the European Commission will be represented in the governance of the Global Shield-Solutions Platform and is already actively involved in the donors working groups related to the African Risk Capacity .

Additional aspects of Programme governance, such as level of representation, formal channels of communication; and additional criteria for selection of ad-hoc observers (e.g., youth, women, UN, private sector, other initiatives, etc.), will be defined at a later stage.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

## 5 PERFORMANCE MEASUREMENT

### 5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

Each implementing partner will have specific responsibilities for monitoring and reporting under this Action. The existing results framework outcomes and associated outputs for programmes being supported which are tracked and reported annually, will be the key reference documents for this purpose. Indicator values will be measured at continental, regional or on a country-by-country basis depending on the nature of the activities. Specific modalities for each of them (indicators, targets and assumptions) may be defined in the respective contracts/agreements and during the inception phases, in a way that will provide inputs for the performance monitoring of the Action globally. Indicators shall be disaggregated at least by sex. All monitoring and reporting shall assess how the action is taking into account the human rights based approach and gender equality. Ultimately, the results and indicators of this Action will contribute to overall results framework of the TEI on Adaptation and Resilience in Africa.

### 5.2 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants or through a joint mission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the need to demonstrate whether innovative financial mechanisms such as, climate and disaster risk finance and insurance (CDRFI) mechanisms, tools and products are bringing an added value to our partnership with Africa.

The Commission shall inform the implementing partner at least 1 month in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

The financing of the evaluation may be covered by another measure constituting a Financing Decision.

### 5.3 Audit and Verifications

Given the nature of the action, provision for Audit and Verifications for this action or its components is not necessary.

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

## 6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 '[Communicating and Raising EU Visibility: Guidance for External Actions](#)', it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

## Appendix 1 REPORTING IN OPSYS

A Primary Intervention (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

- Articulating Actions or Contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance;
- Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);
- Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit). The level of the Primary Intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the action document.

The intervention level for the present Action identifies as

<b>Contract level</b>		
<input checked="" type="checkbox"/>	Single Contract 1	Direct Management (Grant)
<input checked="" type="checkbox"/>	Single Contract 2	Indirect Management with entrusted entity