

Evaluation Report for Programme Name: African Risk Capacity (ARC): Senegal Impact Assessment Report (2021)

Response to Senegal Impact Evaluation report (overarching narrative)

Overall summary:
 FCDO welcomes the Senegal Impact Evaluation of African Risk Capacity (ARC). The report provides a wide range of insights from ARC and the Government of Senegal's implementation of the ARC sovereign and ARC Replica (through the Start Network) payouts triggered by the 2019 drought.

The GoS Final Implementation Plan (FIP) planned for rice distribution to almost 150,000 people in more than 18,600 households, along with supplementary feeding of children and pregnant and lactating women, and the provision of livestock feed to herd owners. The Start Network FIP aimed to reach 25,000 households (approximately 203,000 people). Planned activities consisted of a cash transfer, supplementary feeding for children under five and pregnant and lactating women, and a nutrition awareness programme. GoS ended up integrating the ARC response into its wider Covid-19 response. Whilst the Start Network implemented its response, as planned, in coordination with the GoS.

Using a theory-based approach based on contribution analysis, the impact evaluation assessed (i) the extent to which ARC contributed in Senegal to timely and effective responses that protect affected households' livelihoods and prevent asset loss and food insecurity; and, (ii) the extent to which ARC influenced Senegal's capacity to anticipate, plan, finance, and respond to climate-related disasters generally, and more specifically to making best use of ARC.

The report sets out clearly the progress ARC has made in strengthening the capacity for disaster risk management (early warning and planning) in Senegal, including greater predictability of financing through ARC payouts. The evaluation identified that the ARC payout, especially ARC Replica supported building greater stakeholder commitment and cooperation, especially through the preparation process for the FIP. These improvements in capacity contributed to a more effective response to the 2019 drought and, in 2020, to Covid-19.

The report concludes that GoS support from ARC contributed to the country being better placed to identify and respond to the emerging threat of drought during 2019 than earlier negative shock events. Evidence analysed from the process evaluations suggested that the ARC support helped some vulnerable households avoid negative outcomes. The impact evaluation identified key areas ARC needed to strengthen, including the speed of ARC payouts, Monitoring Evaluation & Learning (MEL) data, and budgeting for the Technical Working Group.

The report makes some clear recommendations as to how ARC Agency can adapt its approach to capacity building to ensure that it meets its objectives. It also provides recommendations around MEL, including how ARC agency can adapt its internal MEL approach, build MEL capacity building of its Member States in order to gather the requisite information to assess impact and to adapt and strengthen delivery.

FCDO accepts the recommendations and is working with ARC, donors and the newly reinvigorated Evaluations Steering Committee to address them. The Government recommendations for the GoS have been communicated to them, and ARC is expected to follow up on these during their annual implementation cycle.

This management response provides FCDO view of progress so far and priority actions needed. The conclusions of this evaluation will inform FCDO's 2021 Annual Review and the future outputs of the Evaluation. Each recommendation will be implemented following the actions described in this response. Whilst all the recommendations are important, we place the highest priority on the actions related to ARC Agency on the Replica product and expanding MEL capacity (recommendation 1). We will work alongside ARC Group and the donor coordination group to deliver on these actions, bringing in other resources from the disaster finance architecture, including where relevant, ARC's partnerships with the Centre for Global Disaster Protection and ADRiFi.

Of note, the impact evaluation was expected to pilot and recommend a methodological approach to assess impact which would be deployed in the upcoming country studies. However, owing to data constraints this was not possible. As recommended below, (see recommendation 2), given the difficulty of conducting impact evaluations, FCDO, OPM and the evaluation committee should revisit the evaluation design to determine what role the upcoming country case studies should play.

Background:

ARC enables African governments to insure themselves against natural disasters (to date, primarily drought) and respond promptly to protect vulnerable households when disasters strike. It is the first sovereign insurance pool in Africa, and the first in the world that links pay-outs to pre-approved contingency plans.

In March 2014, the UK Department for International Development (DFID), now the Foreign, Commonwealth and Development Office (FCDO), approved support of up to £100 million over 20 years to launch an African risk insurance pool and early response mechanism, African Risk Capacity (ARC). This comprised of up to £90 million in development capital (DevCap) to capitalise the ARC Insurance Company Ltd (ARC Ltd) and up to £10 million of grant funding for technical assistance through the ARC Agency, performance reviews and independent evaluation.

To date, the UK has paid in £30 million in DevCap (returnable in 2034). The capital investment has been matched by Germany's KfW. The UK support to ARC Agency has ended. ARC Agency is now supported by a range of other donors, including France, Canada, the EU, and Rockefeller Foundation.

ARC also offers Replica coverage whereby humanitarian organisations match ARC country policies, thus providing insurance directly to the humanitarian sector. USAID and KfW currently supports premium subsidies to ARC Replica.

Pay-outs can be up to \$30m (depending on the severity of the event and the amount of coverage purchased) and are intended to reach countries within 30 days, far faster than conventional humanitarian system.

The Senegal Impact Evaluation is the second output of the ARC Evaluation exercise which will run between 2015 and 2024. The first output, the first formative evaluation, was published in 2017 and the third output, the second formative evaluation is currently in progress. The evaluation has three purposes: to provide recommendations and lessons learned for the management of the ARC programme; to test if ARC is effective, contributing to the global evidence base on whether risk transfer and risk pooling are cost-effective methods of disaster risk management; and, to provide accountability to the UK taxpayer for the government's investment in ARC.

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Evaluation Report Title: Senegal Impact Assessment Pilot Report

Recommendations: FCDO	Accepted or Rejected	If “Accepted”, Action plan for Implementation or if “Rejected”, Reason for Rejection
<p>Recommendation 1: Recommendations for ARC Agency</p> <ul style="list-style-type: none"> • Use the lessons from the positive experience with ARC Replica in Senegal to inform and encourage uptake in other countries • Strengthen the focus on improving government Monitoring & Evaluation within ARC Agency support • Review the Process Audit Guidelines and general ToR for process evaluations of ARC payouts 	<p>Partially accepted</p> <p>Accept</p> <p>Partially accept</p>	<p>Use the lessons from the positive experience with ARC Replica in Senegal to inform and encourage uptake in other countries: A core part of ARC’s strategic ambition is to expand Replica uptake. Replica policy premiums are fully funded by donors so any plan to increase Replica uptake must be backed up by premium financing from donors.</p> <p>ARC has put a great deal of effort into developing partnerships to help members access premium financing. ADRiFi, set up by the African Development Bank (AfDB), has been funded by the UK and SDC to provide premium subsidies to countries seeking an ARC policy. Other donors (e.g. KfW) have also provided significant premium support through other routes. This element of the recommendation is therefore partially accepted at this stage, subject to further examination.</p> <p><i>Action Plan:</i> Continue to work with ARC to understand their growth strategy, premium financing needs and how the UK and other partners might support. Through the new premium support coordination sub-group of the ARC donor group, tailor additional support to these needs.</p> <p>Strengthen the focus on improving government M&E within ARC Agency support: ARC has an extensive capacity building programme which distinguishes it from other risk pools. Given the complexity of ARC’s product and low awareness, ARC’s capacity building is focused on the risk modelling, risk transfer and contingency planning, with the latter including some guidelines and assessment of M&E systems. The evaluation sets out potential pathways for ARC to on strengthen government capacity M&E capacity, to improve monitoring, lesson learning and contributions to ARC’s outcome level objectives.</p> <p><i>Action Plan:</i> Follow up on the evaluation’s recommendations with ARC with the aim to identify efficient ways to integrate additional M&E capacity building into ARC’s existing capacity building exercises.</p> <p>Review the Process Audit Guidelines and general ToR for process evaluations of ARC payouts: ARC’s process audits are a vital tool for compliance, accountability and measuring ARC’s contribution to enhancing the resilience of the communities it serves. The evaluation</p>

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		<p>conducted an in-depth review of the existing process audit/evaluation approach and provided several practical areas to deepen the information gathered, approach robustness and insights.</p> <p><i>Action Plan:</i> Encourage ARC to build in the evaluation recommendations into their process audit guidelines and TOR for process evaluations of ARC payouts ahead of the 2023 planting seasons. Adopted changes should be proportionate and provide value for money from MEL budget.</p>
<p>Recommendation 2: Key recommendations for the remainder of the ARC Evaluation:</p> <ul style="list-style-type: none"> • OPM, FCDO, ARC Agency and the ARC Evaluation Steering Group to review and update the overarching evaluation questions. • OPM to review the Theory of Change to incorporate ARC Replica. • OPM will review the evaluation design outlined in the inception report. This will consider any suggested changes to the structure of country case studies and other evaluation research activities (for instance thematic studies on particular issues). This will be discussed and agreed with FCDO, ARC Group and the Evaluation Steering Group as the basis for the remainder of the evaluation. • The approach to the assessment of ARC's contribution to finance 	<p>Accept</p> <p>Accept</p> <p>Partially accept</p> <p>Partially accept</p>	<p>OPM, FCDO, ARC Agency and the ARC Evaluation Steering Group to review and update the overarching evaluation questions: The original evaluation questions were designed over five years ago. Whilst many evaluation questions remain relevant, questions do need to be updated to correspond to ARC's new growth strategy, developments in the disaster risk financing architecture and demands from Member States amid climate change. Evaluation questions need to be adapted to generate relevant evidence to answer these questions.</p> <p>Action Plan: <i>OPM, FCDO, ARC Agency and the ARC Evaluation Steering Group to review and update the overarching evaluation questions ahead of future evaluations to identify relevant issues to the growth, impact and commercial viability of ARC Group.</i></p> <p>OPM to review the Theory of Change to incorporate ARC Replica: The Theory of Change, developed as part of the First Formative Evaluation, needs to be updated to incorporate ARC's new strategy and expanding product toolkit (e.g. ARC replica, new perils and non-sovereign business) which sets out how ARC will deliver on the three core impact pathways (supporting timely and effective response for vulnerable households, influencing policy and practice for disaster risk management in member states, and increasing demand for ARC's products and services). Once the updated Theory of Change will be used to generate an updated Results Framework to assess ARC's progress towards delivery of its objectives.</p> <p>Action Plan: <i>OPM to work with ARC Group to update the Theory of Change as part of the Second Formative Evaluation. OPM will gain input from FCDO and the Evaluation Steering Group during the update process.</i></p> <p>OPM will review the evaluation design outlined in the inception report. This will consider any suggested changes to the structure of country case studies and other evaluation research activities (for instance thematic studies on particular issues). This will be discussed and agreed with FCDO, ARC Group and the Evaluation Steering Group as the basis for the remainder of the evaluation: The Senegal Impact Evaluation was expected to be</p>

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<p>should be revised to focus more explicitly on the assessment of financial needs and how far ARC has contributed to meeting them.</p>		<p>a pilot to determine an impact evaluation methodology to use for the remainder of the country case studies. However, owing to the absence of an appropriate counterfactual (e.g. a comparator group) and confounding factors (the Government's Covid response), the impact evaluation envisioned in the evaluation design could not be undertaken. Whilst there was still some very useful evidence generated by the assessment in Senegal, it makes sense to revisit the remainder of the evaluation design to assess whether future country case studies should be undertaken and if so, what their objectives should be.</p> <p>Action Plan: OPM, FCDO, ARC Group and the Evaluation Steering Committee should determine the role of the planned country case studies in the evaluation design, and whether to proceed with the upcoming country case study outputs.</p> <p>The approach to the assessment of ARC's contribution to finance should be revised to focus more explicitly on the assessment of financial needs and how far ARC has contributed to meeting them: A core objective of ARC which the Senegal Impact Evaluation sought to assess was how far the ARC sovereign and Replica payouts contributed to improving the availability of finance for the 2019 drought response. Whilst the assessment approach adopted within the evaluation identified some beneficial behavioural changes to the Government of Senegal's disaster risk management budget planning approach, it was unable to assess the extent to which ARC support the Government in meeting their financial needs. We agree that the approach to assessing ARC's contribution to finance should be adjusted to better answer this question, whilst bearing in mind ARC's role in responding to events of the intensity/frequency which ARC covers (i.e. not all disaster events).</p> <p>Action Plan: OPM, FCDO, ARC Group and the Evaluation Steering Committee to agree a new methodology to assess ARC's contribution to improving financial capacity of Member States for the frequency/intensity level disaster events which ARC covers.</p>
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