

Joint Press Release

**Federal Republic of Germany helps African countries maintain drought insurance in view of COVID-19**

**Johannesburg, June 16, 2020:** In response to the COVID-19 pandemic, the German government assumes premium payments of around EUR 19 million for the drought insurance offered by the African Risk Capacity (ARC). This will reliably protect up to 20 million poor and vulnerable people in Africa against drought in the coming agricultural season and mitigate the risk of a compound crisis.

Maria Flachsbarth, Parliamentary State Secretary at the German Federal Ministry for Economic Cooperation and Development (BMZ) and Co-Chair of the InsuResilience Global Partnership emphasized in a video message that Germany will provide its partners in Africa with fast and uncomplicated assistance, for they are facing unprecedented social, economic and financial strains in view of the pandemic.

In her corresponding video statement, Ngozi Okonjo-Iweala, Chairperson of the ARC Governing Board, stressed that Germany's assistance to insure African countries against the risk of drought "could not have come at a better time." It will "help avert a situation of compounded effect of the Coronavirus pandemic and drought in any of the beneficiary countries thereby saving the continent from extended negative health and socioeconomic problems."

ARC is a specialized agency of the African Union. It was launched in 2012 as an initiative of African countries to improve their disaster and risk management and thus increase their resilience to climate change and disasters. Today, ARC is offering its members an index-based drought insurance that guarantees payouts if precipitation falls below certain levels. In consequence, financial support is reaching affected small-scale farmers already before the end of the agricultural season. Also, ARC is offering governments comprehensive technical support for disaster preparedness and disaster risk management. Under the umbrella of the InsuResilience Global Partnership, working to expand climate risk transfer solutions for poor and vulnerable people, Germany to date supported ARC with around EUR 62 million.

By signing an ARC insurance policy, countries can cushion the negative consequences of a drought and thus avert a more far-reaching economic, food and health crisis. However, African governments are often faced with the challenge of providing solid financing for the annual insurance premiums. With the COVID-19 pandemic, this problem has become even more acute in the current year.

BMZ is responding to this situation with its emergency COVID-19 support programme: Zimbabwe and five West African countries, which have to take out insurance cover already in June, will be provided with EUR 8.5 million for premium payments under ARC Replica. This will enable the World Food Programme and the START Network - an association of 40 humanitarian aid organizations - to take out ARC policies for Burkina Faso, The Gambia, Mali, Mauritania, Senegal, and Zimbabwe. BMZ is further providing EUR 10.5 million for premium subsidies to countries in the south and east of the continent, where the insurance policy will not be taken out until the second half of the year due to the later planting season.

According to Maria Flachsbarth, Germany's assistance to cover ARC premium payments can achieve three positive effects: "Firstly, we are deliberately creating liquidity for our partners' particularly urgent COVID-19 measures. Secondly, we are ensuring that the drought insurance, which is of vital importance to so many people, is not lost in the already difficult situation. And thirdly, we are contributing towards stability for ARC member countries."

#### **Notes to editors**

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The African Risk Capacity (ARC) is a Specialized Agency of the African Union established to help African governments improve their capacities to better plan, prepare, and respond to extreme weather events and natural disasters.

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Freedom and security for all; a life without poverty, fear and environmental destruction – to move a little closer to this goal, that is the aim of Germany's development policy. The guiding principles of Germany's development cooperation will be protecting human rights and fostering the developing countries' sense of ownership and ability to help themselves.