

Africa Disaster Risk Financing (ADRIFi) Programme

Impact of climate change in Africa

Africa faces severe climate challenges, threatening food security, livelihoods and economic growth. Frequent extreme weather events such as droughts, floods and cyclones worsen poverty and economic inequality while straining governments' resources.

1,695

climate-related disasters in the past 50 years



Droughts

have been the deadliest climate disasters in Africa



Floods

represent 60 percent of all reported natural disasters recorded over the last decades



Cyclones

Cyclone Idai in Mozambique in 2019 was one of the most expensive climate disasters recorded in Africa



These disasters highlight the vulnerability of Africa to climate change

\$7-15 Billion

value in economic losses



700 Million

people are at risk, with only **4%** covered by the African Risk Capacity (ARC)

The frequency of climatic shocks, coupled with slow recovery and limited resources, highlights the need for African states to adopt innovative financing solutions to protect vulnerable populations.

To address this, the African Development Bank launched the **Africa Disaster Risk Financing (ADRFi) Programme** in 2018 to strengthen resilience and improve response to climate shocks.

How ADRiFi works

Through the ADRiFi, the Bank invests funds to assist participating African countries to secure risk insurance policies for their national governments against climate shocks such as droughts and tropical cyclones.

Focus areas



Building capacity of regional member countries to assess climate-related risks and costs



Providing disaster risk financing through climate insurance solutions



Supporting preparedness for climate shocks in regional member countries



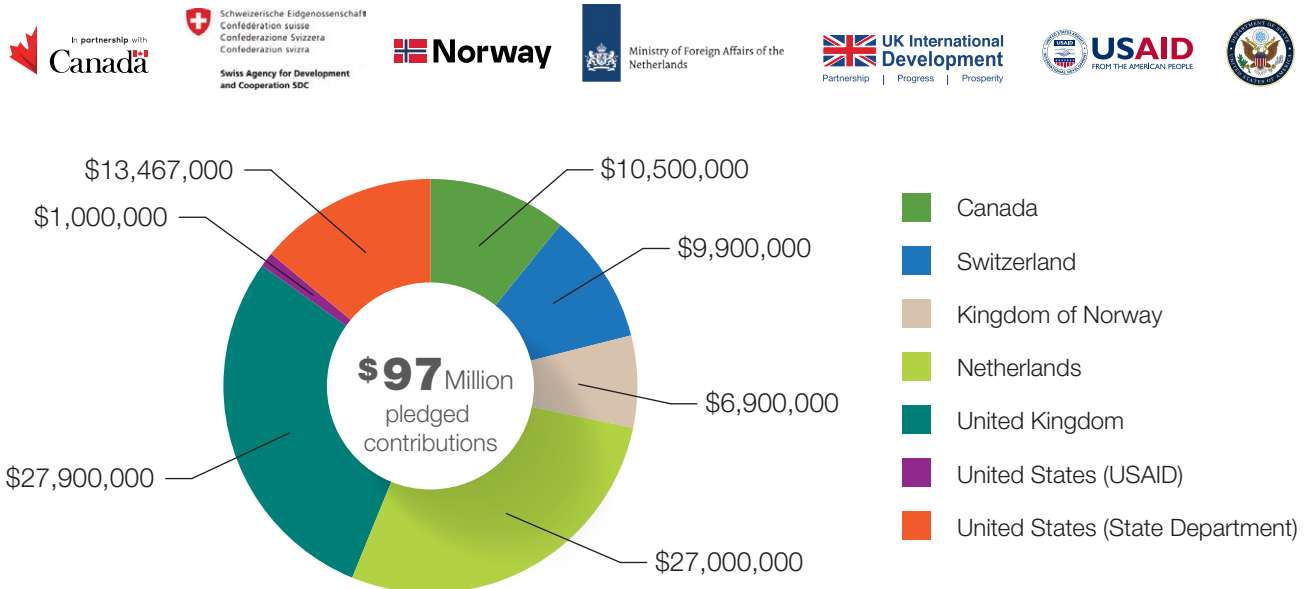
The Bank partnered with the African Risk Capacity (ARC) Group in the implementation of the ADRiFi Programme. Both institutions share the same goal of protecting countries and populations at risk from climate-related disasters through insurance cover.



The ADRiFi Multi-Donor Trust Fund (MDTF)

To accelerate the uptake of proactive risk financing solutions and overcome the challenges posed by constrained fiscal spaces and debt distress in many regional member countries, the Bank established the ADRiFi Programme Multi-Donor Trust Fund (MDTF) in 2021.

ADRIFi MDTF Donors



The program has led to an increase in the number of countries embracing ex-ante climate risk management in their planning, with more of them allocating domestic budgets towards climate risk financing. As participation in the regional risk pool grows, its sustainability is strengthened, and governments are taking greater ownership of climate risk financing efforts.

Feature

Netherlands bolsters Africa's climate resilience with \$27 million disaster financing pledge to the African Development Bank



Representatives from the Kingdom of the Netherlands and the African Development Bank Group last year met at the Bank's Annual Meetings 2024 to discuss the Dutch government's \$27 million pledge to the ADRiFi Multi-Donor Trust Fund.

With the commitment, the Netherlands became the sixth contributor to the Trust Fund. Managed by the Bank, the fund enhances Africa's capacity

to respond to climate shocks and builds resilience against disasters. It supports drought insurance and climate risk protection across Africa.

The announcement came during the AfDB's Annual Meetings in Nairobi, Kenya. Mark Zellenrath, Director for Multilateral Institutions and Human Rights at the Dutch Ministry of Foreign Affairs, and Dr. Beth Dunford, Bank Vice President for Agriculture, Human and Social Development, welcomed the collaboration.

"The Kingdom of the Netherlands is proud of becoming a new donor to the Africa Disaster Risk Financing Programme and providing additional funding to reduce the protection gap in Africa and make parametric insurance solutions accessible," said Zellenrath.

Dr. Dunford noted: "This Dutch government commitment to the Trust Fund will help to bring additional protection to millions of the continent's most vulnerable people threatened by climate disaster."

The impact of ADRiFi's work



Over **\$100 million** invested in **16 countries**

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Improved financial protection against climate shocks like drought and cyclones

- > More than 5 million vulnerable people protected

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Increased risk knowledge and capacity for disaster risk management

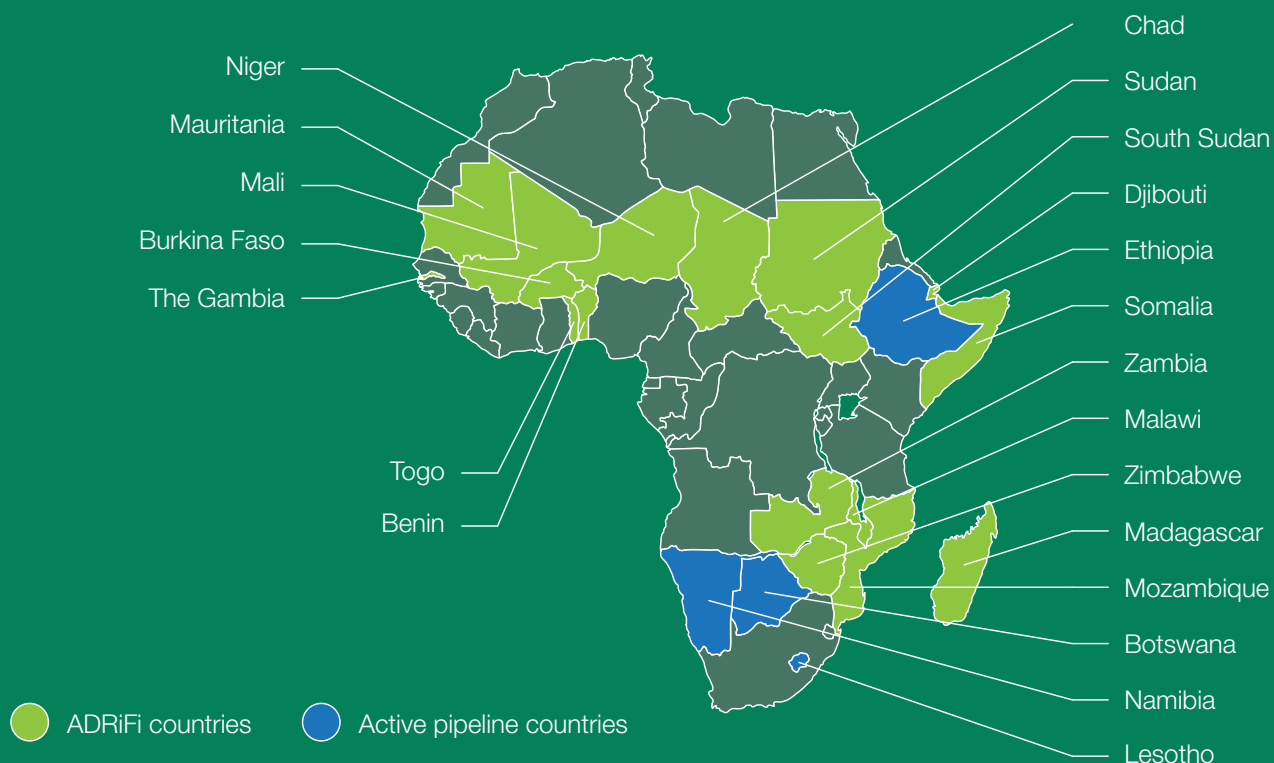
- > 2 peer learning forums organized
- > 4 Disaster Risk Finance (DRS) diagnostics/strategies supported in 4 countries: Madagascar, The Gambia, Zimbabwe and Malawi
- > A funding agreement for doctoral research was established in Djibouti

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Strengthened disaster risk monitoring and response systems

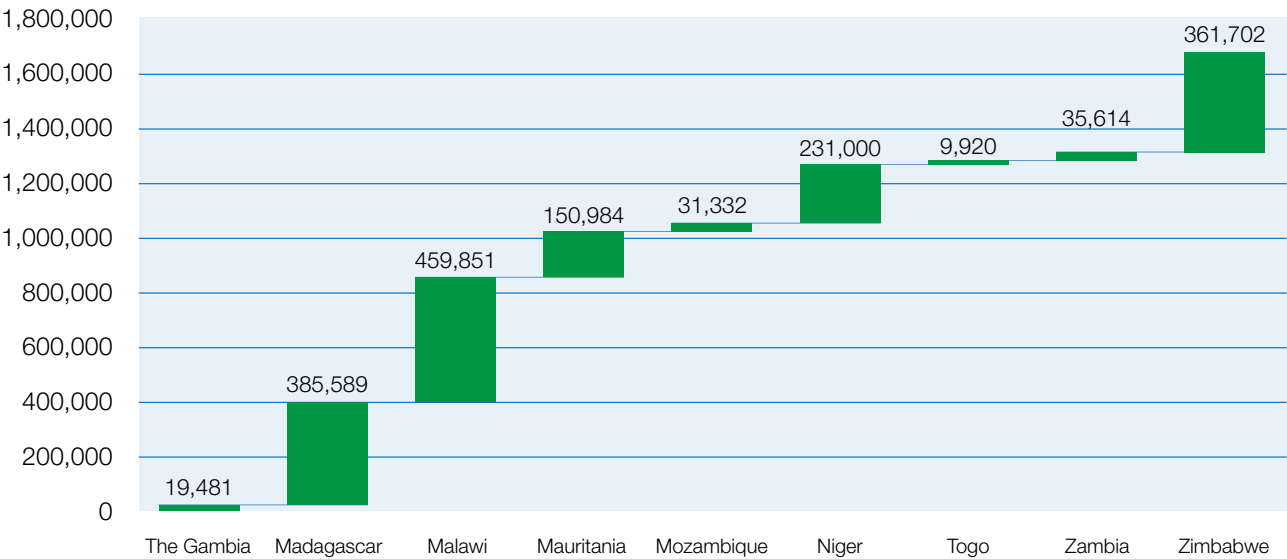
- > Early Warning Systems (EWS) supported
- > 30 weather stations developed

Countries allocating domestic budgets to climate risk financing

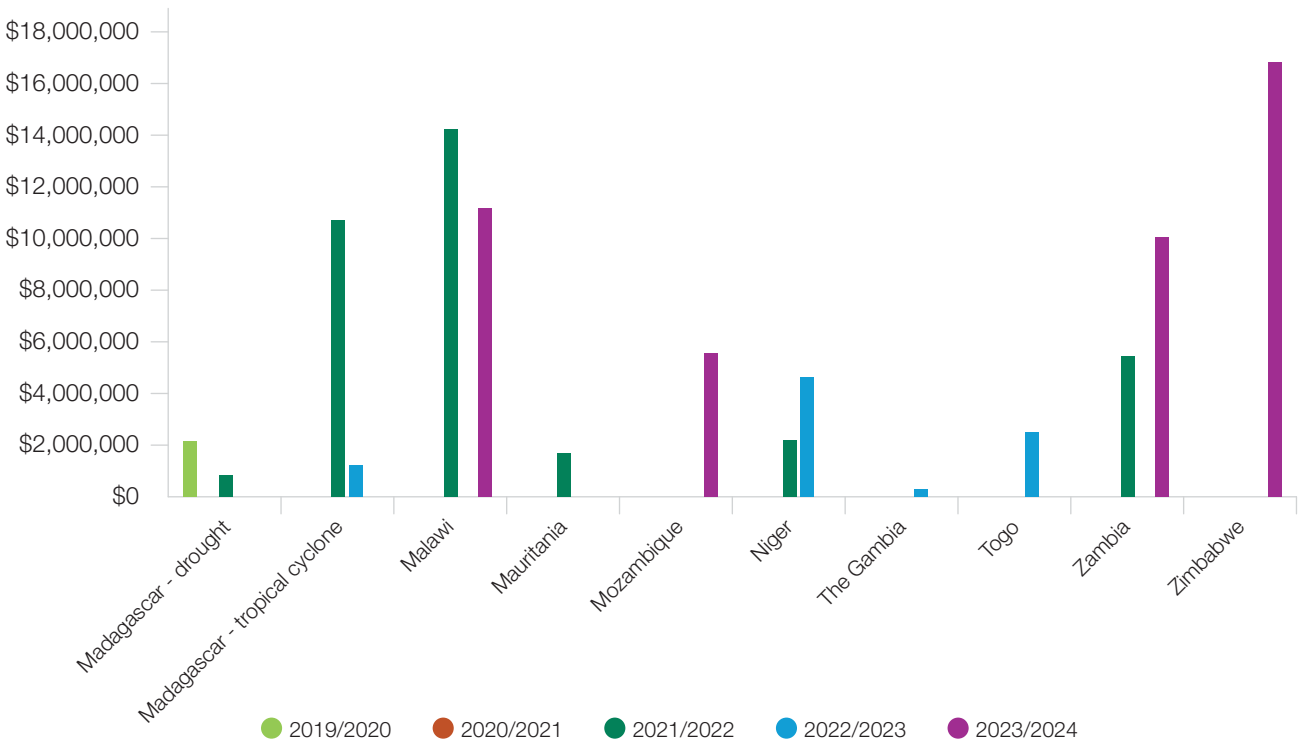


Through support offered by the program, **nine regional member countries** received insurance payouts between 2019 and 2024 to respond to climate shocks quickly and robustly, thus increasing risk ownership by countries.

Number of households per country benefiting from ADRiFi payouts



Cumulative insurance payouts (USD) received



Strengthening public sector capacity

ADRIFi facilitates learning exchanges that promote peer-to-peer knowledge sharing and best practices regarding the development and implementation of disaster risk financing strategies. These sessions focus on risk profiling, contingency planning and the effective utilization of insurance payouts, fostering best practices and enhancing resilience-building strategies.

Key insights from the Climate Disaster Risk Financing and Insurance (CDRFI) Forum, Malawi

29-31 October 2024



This forum brought together over **80** participants from **24** countries to share knowledge, build partnerships, and strengthen Africa's climate resilience.

Forum highlights:

Resilience through preparedness

The forum resonated with a strong mantra: "Act before the storm hits!" As climate disasters become more frequent, participants highlighted the need for pre-arranged financing solutions.

Building capacity for climate insurance

Investing in skilled professionals capable of designing targeted climate insurance products is essential: specialists in insurance options for countries, communities, and businesses is a priority.

Locally tailored insurance solutions

Creating locally informed insurance products suited to the African context is essential particularly for grassroots farmers. Customizing insurance to manage risks like droughts and floods makes it more relevant and effective.

A bold initiative for climate insurance

Building on ADRIFi's success in providing coverage to over 5 million people across 16 countries, the African Development Bank presented ACRIFA that aims to mobilize \$1 billion to expand resilience-building, and climate-smart practices across Africa.

Evolving sovereign risk insurance

To protect public assets and strengthen national resilience, sovereign risk insurance must progress beyond short-term project funding.

Policies that pave the way

Forum discussions called for risk-based regulatory frameworks across African countries to increase the affordability and accessibility of climate insurance, especially for smallholder farmers and Small and Medium Enterprises (SMEs).

Innovations from Malawi

Malawi's use of Area Yield Index microinsurance has been a breakthrough. The Malawi Social Registry, enhanced with Artificial Intelligence (AI) and Information and Communication Technologies (ICTs), ensures fair targeting and proactive social protection through scalable safety nets.

Africa's tech frontier

From mobile platforms to blockchain and AI, these technologies are transforming climate insurance by enhancing transparency, lowering costs, and streamlining distribution.

Inclusive disaster response

Addressing the gender gap in disaster response is crucial in ensuring that financial aid reaches all community members equitably.

Collaborating for Africa's climate resilience

Building local capacity, developing sustainable funding models, and fostering community-driven approaches were collaborative policies unanimously consented by forum participants.

Looking ahead

With the dynamic landscape of climate risk financing, insights from the CDRFI Forum lay the groundwork for a resilient and adaptable Africa. Through collaboration and uptake of these strategies, Africa stands shielded against climate risks.



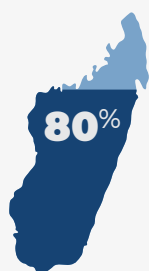
collaboration
capacity building
technology
sustainability

ADRIFi is evolving into providing integrated support to address climate risks at all layers, recognizing the need to supplement sovereign risk coverage with adequate risk management measures at both meso (firm) and micro (household) levels. Therefore, ADRIFi partners with governments to build resilience, while ACRIFA (Africa Climate Risk Insurance Framework for Adaptation) broadens impact by incorporating private sector insurance solutions across agricultural value chains at all levels. Coordination between ADRIFi and ACRIFA includes:



Case study - Madagascar

Madagascar, the fourth largest island in the world, is susceptible to a number of disasters, including disease outbreaks, drought, floods, pest infestations, sandstorms and tropical cyclones that disrupt livelihoods. Southern Madagascar is particularly susceptible to recurrent drought conditions that lead to poor harvests and decreased livestock productivity.



Highly exposed to cyclone risk



Tropical cyclones alone accounted for 80% of climate-related disasters between 1990 and 2013



From 2019 to 2021, Grand Sud experienced drought, with up to 2 million people facing extreme hunger

The country joined ADRIFi in 2019 to get assistance through paying premiums for the purchase of ARC Group sovereign insurance, initially covering drought-related disasters. In November 2020, Madagascar became ARC's first pilot country to take on tropical cyclone risk insurance.

ADRIFi's objectives in Madagascar are:



Build the country's capacity to assess the risks and costs of climate hazards



Provide rapid-response funding to address climate hazards at national and local levels

In this regard, the country received 100% premium payment support in its first year of being part of the program. Subsequently, the government has been mobilizing part of the drought insurance premiums from its internal resources. Further, the country has been fully supported to access tropical cyclone insurance through the ADRIFi MDTF.

The beneficiaries of the program include the Government of Madagascar and its agencies involved in disaster risk management, such as the Malagasy Emergency Response Unit (CPGU), Ministry of Economy and Finance, and the General Directorate of Meteorology.

These agencies have been trained in risk modelling and profiling through the ARC Group's in-kind contribution to the program. Ultimately, the program aims to support the most vulnerable segments of the population, particularly women and children, who are disproportionately affected by the impacts of climate-related disasters.

Results of ADRIFi's intervention in Madagascar:

- ✓ Madagascar received a timely insurance indemnity payment that allowed for a rapid response during the 2019 drought and during cyclone Batsirai in 2022. It also received payments to address impacts of drought in the Grand Sud and cyclone Freddy in 2022 and 2023, respectively. The country has received close to \$15 million in sovereign insurance payouts since joining the program.
- ✓ Enhanced ability to respond to disasters. The program has influenced a shift in the attitude of the government regarding disaster risk insurance.
- ✓ Effective collaboration between the program and local institutions and improved data management. Gender and social inclusion have been mainstreamed.

Vision 2030

We envision a future Africa where at least 10 million vulnerable people, especially women and children, are insured annually against climate disaster risks, and wider communities are equipped to be more resilient in the face of climate change.



For more information, email us at

adrfi@afdb.org