

The African risk capacity parametric insurance product: A rapid and predictable innovative financing solution for African sovereigns affected by high-impact infectious disease outbreaks

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Introduction

The African Risk Capacity (ARC) is a Specialized Agency of the African Union (AU) mandated to help its member states improve their capacity to plan better, prepare for, and respond to climate-related disasters and infectious disease outbreaks of epidemic potential.

Methods

ARC was created on the premise that investing in preparedness and prearranged financing solutions is highly cost-effective, saving up to four dollars for every dollar invested in *ex-ante* approaches, whilst saving lives through early containment.

Results

Historically, slow and unpredictable funding has been a significant contributing factor to the inability of affected countries to respond rapidly to an initial outbreak; whilst there has been some improvement, governments' access to financing instruments for early-stage outbreak response continues to be challenging. In 2022, ARC launched its sovereign parametric insurance product for a first set of epidemic-prone diseases: Ebola, Marburg, and meningitis. Given an outbreak of a specific pre-agreed size, this prearranged financing instrument provides a payout to an insured country. This financing mechanism has an essential capacity-

building component that supports countries' preparedness and readiness through risk profiling, outbreak modelling, contingency planning, and response through parametric insurance. Senegal was the first country to enrol, thus paving the way for other nations to include parametric insurance in their epidemic risk financing strategy. Other priority diseases belonging to the acute haemorrhagic fever syndrome category, such as Lassa fever, Crimean-Congo Haemorrhagic Fever, and Rift Valley Fever, are under consideration by ARC for the design of the next set of parametric insurance products.

Conclusion

Solutions that strengthen preparedness and support early response to outbreaks and epidemics can potentially reduce the public health burden, protect the government's budget against fiscal shocks, and de-risk other sources of funding disbursed to governments or implementing agencies, thereby contributing to resilient and sustainable financing for pandemic threats, safeguarding lives and livelihoods.