



## Background information

- **Context**

Madagascar is prone to climatic shocks and weather variations including drought, floods and Tropical Cyclones. These shocks have worsened the poverty and food insecurity situation throughout the country over the year.

In 2016, the El Niño weather phenomenon amplified drought conditions, leading to a 75% drop in rainfall compared with a 20-year average which in turn caused crop losses of up to 95%, food insecurity for more than 1 million people and severe acute malnutrition for 12,000 children under the age of five. In March 2017, more than 70 people died, and at least 183 were injured when Cyclone Enawo passed through the country. Likewise, Cyclone Ava hit Madagascar's east coast in January 2018, killing at least 50 people.

In this context, the Government of Madagascar and the African Risk Capacity (ARC) entered into a collaborative agreement to better address the impact of drought, flood, and tropical cyclones in the country.

- **Country engagement**

The Republic of Madagascar signed the ARC Establishment Agreement on 31 January 2014 and a Memorandum of Understanding (MoU) with ARC on 9 March 2017. On 23 November 2018, the country ratified the ARC Treaty.

From 2014, ARC has been working with the Government of Madagascar technical experts to build capacity in drought risk modelling, to start with, response preparedness and risk financing focusing on risk transfer instruments such as parametric insurance which the government can use to access resources to mitigate the impact of climate shocks.

In October 2019, Madagascar joined the ARC drought insurance risk Pool VI for the 2019/2020 cropping season as one of the pilot countries of the AfDB's Africa Disaster Risk Financing (ADRIFI) programme which is being implemented in the country from 2019 to 2023. Madagascar's participation in the ARC risk pool fits into the country Emergency Plan 2019-2023, whose one of the seven strategic actions focuses on implementing all provisions to address the impacts of climate change in the country.

- **Payout information**

Based on the country's customization parameters, ARC-owned Africa Riskview (ARV) software had estimated that rainfall has been insufficient to allow many farmers to plant maize, the reference crop chosen by the Technical Working Group. The compounded effects of drought and rainfall deficits have

thus affected nearly 1.5 million people in Southern Madagascar and triggered a payout of more than USD \$2 million from African Risk Capacity Insurance Company Limited for Drought Response. The funds will be used to implement a pre-defined drought response plan that the government developed prior to the start of the 2019 season with support from ARC. The plan is intended to facilitate implementation of early support to 600,000 people affected by drought in Southern Madagascar to support lives and livelihoods.