Scaling-up Risk Transfer Mechanisms for Climate Vulnerable Agriculture-based Communities in Mindanao

In recent years, weather has been extreme, unpredictable and damaging especially to the agriculture sector. The year 2012 had caused monumental losses, both in the lives and livelihoods of people in Mindanao. “Typhoon Bopha”, which is known in the Philippines as “Typhoon Pablo” was the strongest hurricane to ever hit the island of Mindanao.

With a Category 5 classification, Typhoon Pablo left the country with almost 37 billion pesos cost of damages, 1,067 deaths, 834 missing, and 2,666 people injured. This calamity had affected the agriculture sector with a total of 26.5 billion pesos damage or almost 72% of the total damage to all the sectors.

In Mindanao, rice production has been the primary source of income for farmers particularly in the provinces of Compostella Valley, Davao Oriental, Davao del Sur and Bukidnon in Northern Mindanao included among the top rice producing areas (Mindanews, 2015). Relative to this, these areas are now susceptible to climate variation which causes excess or low rainfall affecting the quality of the rice crop.

This condition motivated scientists, researchers and insurance providers, among others, to design an innovation on crop insurance products specifically the Weather Index-Based Insurance (WIBI).

In the Philippines, the United Nations Development Programme (UNDP), Department of Agriculture (DA), Philippine Crop Insurance Corporation (PCIC) in collaboration with the regional offices of DA and PCIC, other attached agencies to the DA, and local governments are implementing the project called “WIBI Mindanao”. The overall objective of the project is poverty reduction by strengthening the resilience of vulnerable agriculture-based rural communities in Mindanao through climate risk transfer mechanisms and productivity enhancement measures.

The general definition of “climate resilience” is the capacity of the system to absorb stress and maintain its function amidst external stresses brought about by climate change. Moreover, it is also the ability to adapt, reorganize, and evolve into a more desirable state that improves the sustainability of the system leaving it more equipped to the future impacts of climate change. Climate change is a complex issue that requires collective action and multi-stakeholder initiatives and solutions that encompass technological, social, economic and political concerns. To effectively and efficiently improve the capacities of smallholder farmers toward climate resilience, the WIBI Mindanao Project envisages achieving poverty reduction by implementing these three strategic components:
The target areas for the first year implementation of the project are Malaybalay and Valencia in Bukidnon (Region X) and Calinan and Callawa in Davao City (Region XI).

Collaborating with the Government and Stakeholders to Upscale Insurance Innovation

The WIBI Mindanao Project works with key government institutions and stakeholders to conduct specific activities that will contribute to project outcomes. To successfully achieve Outcome 1, the project works in partnership with DA, PCIC, Philippine Rice Research Institute (PhilRice), Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA), Agricultural Training Institute (ATI), Agricultural Guarantee Fund Pool (AGFP) and Agricultural Credit Policy Council (ACPC).

The following outputs are set to be completed to achieve a more conducive policy environment for private sector engagement in climate risk reduction and transfer for agriculture-based rural households: Outcome 1.1) the existing AGFP mechanism revised to align with WIBI provision; Outcome 1.2) a guideline established for indexing process for WIBI product design; Outcome 1.3) improved understanding among regulator and FSPs about the financial implications of WIBI provision and impacts on resilience building.

The last outcome targeted for this project or Outcome 3 emphasizes the increased capacities of farmers and producer organizations to analyze climate risk and develop and implement adaptation practices to enhance productivity in agriculture. WIBI Mindanao Project pro-actively implements activities with the Climate Change Commission (CCC), ATI and Bureau of Soils and Water Management (BSWM).

In order to build and improve capacities of farmers to become resilient to shocks brought about by climate change, the following outputs are aimed to be completed: Output 3.1) community-based Disaster Risk Reduction Management (DRRM) capacity enhanced in at least 30 barangays; and Output 3.2) capacity of farmers and farmer associations developed to increase the resilience of agricultural production.

The project, aside from particularly upscaling the WIBI innovation in crop insurance, also aims a holistic and inclusive development across Regions X and XI. This is by targeting influence policymakers to have an enabling environment for climate risk transfer mechanisms and educating smallholder and vulnerable farmers on impacts of climate change. Also, one of the purposes of the WIBI Mindanao Project is to have capacitated farmers that are resilient and able to bounce back to their original economic and livelihood state even after the adverse effects of excessive or low rainfall.

Providing Faster Payouts to Improve Farmers’ Resilience to the Effects of Changing Climate

Living up to the advantages of index-based insurance particularly the WIBI, this insurance innovation is beneficial to both the insurance provider PCIC and affected farmers. For PCIC, there is lower administrative cost because it does not require field verification and reports. Farmers need not file notice of loss, fast settlement of payouts, low premium rates and more transparent and objective approach to insurance since WIBI relies on weather stations or automatic rain-gauging reading.

The application process of WIBI requires fewer documents from the farmers specifically the following: a) completed application form of WIBI; b) standard farm plan and budget; c) list of boundaries; and d) certificate of completion of WIBI Literacy Seminar. The diagram below illustrates the process of payout to the farmer.

From July 1 to October 31, 2015 cropping cycle, the WIBI Mindanao Project released payouts to three farmers in Tugbok District in Davao City due to low rainfall. Both Mr. Ambrocio Caputolan and Ms. Norma Basites received the amount of 694.23 pesos which is equivalent to 49.7 millimeters rainfall value, with insured area of 0.50 hectare or Php 10,000.00. Meanwhile, the project has issued a check amounted to 347.12 pesos to Ms. Lily Francisco with 0.25 hectare area covered or Php 5,000.00 total amount insured.

According to the rice farmers, there was a minimal crop failure. The farmer beneficiaries saved the payouts for their farm capital on the next cropping season.

Text & Layout by: Angelica Barlis
Edited by: Israel dela Cruz