

COMPONENT 1: POLICY ADVOCACY AND KNOWLEDGE

Regulatory and fiscal incentive structures adjusted to stimulate private sector engagement in climate risk reduction and transfer for agriculture-based rural households



Enabling Legal and Regulatory Environment for Weather Index-Based Insurance (WIBI)

WIBI in the Philippines

The Philippines is one of the most disaster-prone countries in the Asia Pacific region. Climate change projections point to an increasing variability and uncertainty in the amount, patterns, and timing of rainfall. This unfavorable situation places the livelihoods and food security of vulnerable farming households at the high risk. Insufficient job opportunities, inadequate food supply which may result to higher malnutrition rate and increased poverty incidence are more likely to occur if there is no management for climate risks and adaptation strategies in place.

Linking crop insurance and credit towards more resilient farming communities

Providing crop insurance to farmers increases their leverage to access credit facilities. Linkages to complementary support such as farmers' availment of financial packages enable them to finance agricultural inputs and opportunities to diversify sources of livelihoods. The prospect of integrating the weather index-based insurance into the credit and financial packages of the Financial Service Providers (FSPs) and Partner Lending Institutions (PLIs) transfers the risks for farming communities to the guarantee and insurance.

The Agricultural Guarantee Fund Pool (AGFP) offers loan products for crop, poultry, livestock and fishery production. It guarantees 85% of the principal balance covering all risks except for fraud on the PLIs.

With more banks engaged with the project, WIBI is more confident to fulfill its promise of providing faster payouts to farmers. This strengthens their resilience to bounce back after experiencing climate shocks by restarting their farming and livelihoods.

In the Philippines, there is an existing law called "The Agrarian Reform Credit Act of 2009" mandating that the State shall promote rural development by enhancing access of the rural agricultural sector to financial services and programs that increase market efficiency and promote modernization in the rural agricultural sector".

By making credit and weather index-based insurance available to vulnerable farmers and providing sufficient information on these products, farmers will have more options in terms of securing the future of their livelihoods and food security. This initiative shall be harmonized with the strategies for managing the default risks for the financing institutions or lenders through the AGFP.

RELEVANT POLICIES AND CONVENTIONS

UN Framework Convention on Climate Change (UNFCCC) 21 March 1994 (entry into force). Under the Convention, governments are expected to: 1) gather and share information on greenhouse gas emissions, national policies and best practices; 2) launch national strategies for addressing greenhouse gas emissions and adapting to expected impacts, including the provision of financial and technological support to developing countries; and 3) cooperate in preparing for adaptation to the impacts of climate change.

KYOTO PROTOCOL 16 February 2005 (entry into force). Article 3.14 of the Kyoto Protocol recognizes the need to address the establishment of funding, insurance and transfer of technology as a risk sharing and transfer mechanism.

CUNCAN AGREEMENTS (29 Nov-10 Dec 2010). Enhancing climate change related disaster risk reduction strategies which includes sharing and transfer mechanisms such as insurance, at the local, national, subregional and regional levels.

Republic Act No. 9729, otherwise known as the Climate Change Act of 2009.

Republic Act No. 10174, which established the People's Survival Fund to provide long-term finance streams which should enable the government to effectively address climate change.

National Framework Strategy on Climate Change (NFSCC)

National Climate Change Action Plan (NCCAP)

Republic Act No. 10121, otherwise known as The Philippine Disaster Risk Reduction and Management Act (DRRMA) of 2010

Increasing uptake on weather index-based insurance through policy support

Philippine Crop Insurance Corporation (PCIC) is an attached corporation to the Department of Agriculture (DA) that is mandated to provide insurance protection to farmers against losses arising from natural calamities, plant diseases and pest infestations of their palay, corn, and other crops.

In 2014, PCIC reports an uptrend in the subscription of crop insurance services with 10% of the total arming population covered implying greater opportunity for the government to serve for the remaining 90%. It is essential to undertake more effective strategies to educate the farmers on the climate change and vulnerability risks to encourage them to invest in crop insurance services such as WIBI.

Establishing partnership with ACPC- and AGFP-accredited banks

To ensure mechanisms for scaling up this insurance innovation, the WIBI

Providing preferential guarantee rates to FSPs and PLIs



Process flow for applying a credit guarantee line with AGFP

As part of policy advocacy initiative of the WIBI Mindanao Project, an Administrative Order (A.O.) is proposed as an amendment to the existing Implementing Rules and Regulations of the AGFP on the preferential rates for FSPs with enrolled accounts that are insured with WIBI.

Eligible Lending Institutions: Banks, Cooperatives, NGOs, Corporations, Farmer Organizations

Mindanao Project through the PCIC collaborates with ACPC and AGFP to engage FSPs and PLIs in Northern Mindanao (Region X) and Davao Region (Region XI). Specifically, the banks intend:

To promote WIBI as one of the significant ways of managing the risks in agricultural lending and investments as well as promoting resilience among the Bank and its members as a results of global climate change;

To strengthen partnership with PCIC as active underwriter of WIBI products and services through crop insurance cover to agricultural production loans release to Bank farmer clients;

To suggest measures and policies to PCIC Regional Office that will improve the partnership in the implementation of the Bank lending and provisions of insurance products and services to agricultural sector.



MOA Signing Ceremony between PCIC and Bukidnon Cooperative Bank (18 January 2016 in Davao)



MOA Signing Ceremony between PCIC and Cooperative Bank of Misamis Oriental

ACPC was created by virtue of an Executive Order 113 in 1986. The Council shall: a) synchronize all agriculture and fisheries credit policies and programs; b) review and evaluate the economic soundness of all agriculture and fisheries credit programs; and c) undertake measures to increase its funds base and adopt other liquidity, interest stabilization, and risk cover mechanisms for its various financing programs in consultation with the Monetary Board.

AGFP was established by virtue of Administrative Order No. 225-A issued on May 26, 2008. It aims to: a) mitigate the risks involved in agricultural lending through the provision of credit guarantee; and b) encourage partner lending institutions to extend unsecured agricultural food commodity production loans to small farmers and fisherfolk (SFF).

References:

- 1) Scaling up Risk Transfer Mechanisms for Climate Vulnerable Agriculture-based Farming Communities. April 2014-2017. Signed Project Document.
- 2) Desk Review (Legal Aspect) of the existing materials from CCAP, PhilCCAP, and MIPSS (draft)
- 3) Executive Order 113 and Administrative Order 225-A.
- 4) R.A. 10000 and its Implementing Rules and Regulations.

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Cover Photo: Farmers planting in Calinan District, Davao

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Activity	Guarantee Period	Guarantee Fee				WIBI Insured
		Regular		ARB		
		Not PCIC Insured	PCIC Insured	Not PCIC Insured	PCIC Insured	
Palay Production	5 months	0.85%	0.45%	0.45%	0.25%	0.25%
Pineapple (Plant)	23 months	3.85%	1.95%	1.95%	1.00%	1.00%
(Ratoon)	20 months	3.35%	1.70%	1.70%	0.85%	0.85%
Sugarcane (Plant)	14 months	2.35%	1.20%	1.20%	0.60%	0.60%
(Ratoon)	12 months	2.00%	1.00%	1.00%	0.50%	0.50%
Corn	6 months	1.00%	0.50%	0.50%	0.25%	0.25%
Cassava	14 months	2.35%	1.20%	1.20%	0.60%	0.60%
Other short term crops/ commodities	7 months	1.20%	0.60%	0.60%	0.30%	0.30%
Fishpond/ fish-cage operations	Bangus	8 months	1.35%	0.70%	0.70%	0.70%
	Tilapia	7 months	1.20%	0.60%	0.60%	0.60%
	Prawn	8 months	1.35%	0.70%	0.70%	0.70%
	Crab	8 months	1.35%	0.70%	0.70%	0.70%
	Catfish	8 months	1.35%	0.70%	0.70%	0.70%
Poultry/ Livestock	Layer	20 months	3.35%	1.70%	1.70%	1.70%
	Broiler	3 months	0.50%	0.25%	0.25%	0.25%
	Goat (breeding)	7 months	1.20%	0.60%	0.60%	0.60%
	Goat (fattening)	7 months	1.20%	0.60%	0.60%	0.60%
Poultry/ Livestock	Hog (breeding)	14 months	2.35%	1.20%	1.20%	1.20%
	Hog (fattening)	7 months	1.20%	0.60%	0.60%	0.60%
	Cattle (fattening)	8 months	1.35%	0.70%	0.70%	0.70%
	Cattle (breeding)	11 months	1.85%	0.95%	0.95%	0.95%
	Carabao (breeding)	15 months	2.50%	1.25%	1.25%	1.25%
	Carabao (dairy)*	11 months	1.85%	0.95%	0.95%	0.95%
Note: *Milk Production	Goat (dairy)*	6 months	1.00%	0.50%	0.50%	0.50%
	Cattle (dairy)*	11 months	1.85%	0.95%	0.95%	0.95%

