

# Newsletter

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Congressman Arthur C. Yap emphasizes during his speech on EU-Philippines Business Summit the three key measures needed to unlock funding to the agriculture sector which includes weather index-based insurance (WIBI) for crops. Excerpt of his speech at Page 5 | Photo Source: Official Facebook Page of Congressman Arthur C. Yap

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## Integrating index-based insurance with climate finance for agriculture sector

“Many will find this idea abstract or light years away from implementation. Some may think we are still dreaming. However, in an experimental area, thousands of farmers in Mindanao are actually presently enrolled in a weather index-based insurance (WIBI) program pioneered by PCIC itself with technical and funding support from the UNDP.

Based on the model built by these pioneering institutions, hundreds of farmers have been paid during the planting cycle when the climate or weather index is breached without need of waiting for a calamity to visit devastation or loss on our farmers”, explained by Congressman Arthur C. Yap, Representative of the 3rd District of Bohol during his privilege speech on September 19, 2016 at the Plenary Hall of the House of Representatives in Quezon City, Philippines.

The former Secretary of the Department of Agriculture (DA) is the Champion of the innovative crop insurance product citing in his speech the pilot project

of Philippine Crop Insurance Corporation (PCIC) and United Nations Development Programme (UNDP) in Mindanao.

“In other parts of the world, particularly India, the Caribbean and in Africa, crop insurance is being offered on the basis of innovative terms. Instead of being peril-based, or indemnity-based, crop insurance in those jurisdictions are weather index based or simply called Weather Index Based Insurance or WIBI”, Yap explained to the other members of the House of Representatives. (See page 5)



(L-R) Mr. Israel Q. dela Cruz, Project Manager of WIBI Mindanao, Atty. Jovy C. Bernabe, PCIC President and National Project Director and Mr. Norman R. Cajucum, Senior Vice President of PCIC during the privilege speech of Congressman Arthur Yap on financing Philippine agriculture at a time of climate change.

## PCIC Board approves the P2M extension of premium coverage for WIBI

The Philippine Crop Insurance Corporation (PCIC) with Chairman Dioscoro A. Granada and Vice-Chairman Atty. Jovy C. Bernabe together with all PCIC Board of Directors – Mr. Epifanio Maniebo, Mr. Alex de Guzman Suarez, Mr. Juan V. Borra Jr., and Ms. Jocelyn Alma R. Badiola approved the extension of the weather index-based insurance (WIBI) premium coverage for farmers in Regions X and XI.

The accomplishments of the WIBI Mindanao Project were presented to the Board particularly the target of 2,000 farmers enrolled in WIBI which was completed as early as June 2016.

The PCIC Board has been consistently supportive and proactive in promoting WIBI as one of the innovative crop insurance to be included in the PCIC product portfolio. The following resolution has been adopted by the PCIC Board of Directors during their meeting held on July 28, 2016: (See page 5)

## CCC, ATI implement community-based capacity support to Bukidnon and Davao LGUs



Enhanced climate field school in Calinan District, Davao City



Enhanced Climate Field School graduation ceremony in Davao City

Climate Change Commission (CCC) and Agricultural Training Institute (ATI) are the identified responsible parties of the WIBI Mindanao Project in achieving enhanced capacities of farmer organizations and communities in analyzing climate risk and develop and implement adaptation practices and improvement on agricultural productivity.

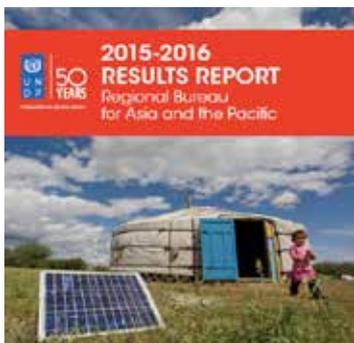
With the credible expertise of these two organizations in field-based implementation, various strategies were employed to reach the desired project outcome. CCC carried out a

series of trainings in Bukidnon and Davao on climate change adaptation (CCA) and disaster risk reduction (DRR) at the local and barangay level. A total of 72 participants from various barangays completed the CCA/DRR training. Consequently, a mock-drill to test the information flow, evacuation routes and process and dewarning were also introduced through the Awareness and Preparedness for Emergencies at the Local Level (APELL) methodology.

In terms of increasing the resilience and improving the agricultural

production of farmers, ATI instituted the Farmers' Decision Support System (Rice Crop Manager) and Enhanced Climate-Smart Farmers' School. These approaches intend to enhance climate change awareness, agronomic practices and adaptation tools and techniques of the farming communities in Regions X and XI.

Fifty-nine (59) participants completed the Training-of-Trainers (TOT) for Enhanced Climate Field School with target 17 schools to be established across the WIBI regions.



WIBI Mindanao Project is included in "2015-2016 Results Report of the UNDP Regional Bureau for Asia and the Pacific" Page 50

*Insuring against climate vulnerabilities*

*Climate insurance for smallholder farmers is among the new financial services that help people contend with climate change. It is affordable, readily accessible and geared towards smaller farms that still largely dominate agriculture in developing economies. In periods when, for example, drought leaves crops shriveling in the fields, insurance for the most vulnerable farmers can mean protection from permanently losing their land and livelihood.*

*In partnership with the Philippine Crop Insurance Corporation, the Philippine Rice Research Institute, the Philippine Atmospheric, Geophysical and Astronomical Services Administration and several banks, UNDP has helped introduce a climate insurance product in the Philippines that provides a quick payout in less than 10 days. This enables small farmers to restart their livelihoods during the same season, a critical cushion for people who have few other resources to recover. The insurance reduces a barrier-payouts requiring months-that had discouraged use by smaller farmers in the past.*

To download this publication, go to [http://www.asia-pacific.undp.org/content/rbap/en/home/library/annual\\_report/asia-pacific-results-report-2015-2016.html](http://www.asia-pacific.undp.org/content/rbap/en/home/library/annual_report/asia-pacific-results-report-2015-2016.html)

## PhilRice research activities in WIBI Mindanao project areas



The Philippine Rice Research Institute (PhilRice), the key partner of the Project in establishing indices for rice has conducted parallel experiments in Bukidnon and in Davao to determine the soil percolation rate in the area in May 2016.

The data collected from these experiments are inputs to the



overall outcome which is a WIBI product released for public consumption for almost all major rice areas of the country that has the capability to generate site-specific indices by considering the climatic and edaphic characteristics of an area.

Aside from on-site experiments being carried out, PhilRice will

also develop a macro-program for drought-stress analysis, indexing protocol that will allow the widescale implementation of WIBI product in the country and will conduct training on index-setting with state universities and colleges in the Philippines.

## Initial accomplishments reported during the 4th WIBI Mindanao Project Board Meeting



The Philippine Crop Insurance Corporation (PCIC) President and National Project Director Atty. Jovy C. Bernabe led the 4th WIBI Mindanao Project Board Meeting on June 2, 2016 with five (5) project board members attending the assembly. The member agencies present during the meeting were as follows: PCIC represented by the Vice Chair Atty. Jovy Bernabe; United Nations Development Programme (UNDP) represented by the Country Director and Co-chair Mr. Titon Mitra; Climate Change Commission (CCC) with Mr. Alexis Lapiz; Mr. Ralph Camelo Mariano of the National Economic & Development Authority (NEDA); and Mr. Macario Jusayan for the Philippine Commission on Women (PCW).

Apart from the five board members, the assembly was also graced by the responsible parties

and consultants of the Project. This was an opportunity for the board members to be oriented about technical-level details of the project with Mr. Ailon Capistrano, Senior Scientist from PhilRice leading the discussion on the tools and processes of indexing and payout. Moreover, WIBI Mindanao Project Manager Mr. Israel dela Cruz emphasized during the meeting the major recommendations from the Chief Technical Adviser, Dr. Clarita Carlos.

The recommendations from CTA underscore three specific aspects for intervention: 1. policy or legal that proposes the establishment of a risk mitigation fund (RMF) to be managed by PCIC; 2. technical that focuses on database and systems improvement, product development and strengthening the linkage between

PAGASA Unified Meteorological Information System (PUMIS) and PCIC Automated Business System (PABS); and 3. operations and marketing that endorses the importance of innovations in product design, product delivery, customer service, management information systems and marketing as well as increased communication to bring the insurance markets to the poor.

It was also reported during the 4th Project Board Meeting that the project reached the 50% of the target or equivalent to 997 farmers enrolled in weather index-based insurance program from the first two cropping cycles. The total amount of payouts released for both Regions X and XI reached over Php 900,000 covering 103 farmers. The 5th Project Board Meeting is initially set on November 2016.

## Insurance Commission (IC) encourages private sector engagement in WIBI

As part of establishing collaborative efforts with other interested agencies on index-based insurance, the WIBI Mindanao Project initiated a joint meeting with the Insurance Commission (IC) headed by Atty. Emmanuel Looc together with private insurance companies in the Philippines. CARD Pioneer Micro-insurance, Bankers Assurance Corporation, Micro-insurance Insurance Brokers Philippines, Inc., and Western Guaranty Corporation were present during the consultation.

These micro-insurance companies are familiar with the weather index-based insurance product presented because together with the IC, they were able to implement it on the ground but only on a limited scale. "The long term intention

is to adopt weather index-based insurance because it simplifies the administration of agri-insurance particularly the claim settlement.", emphasized by Commissioner Looc.

Mr. Israel dela Cruz, the Project Manager of WIBI Mindanao shared that one priority of the Project is the standardization of weather index-based insurance product in partnership with Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) for the rainfall data and Philippine Rice Research Institute (PhilRice) for indexing guidelines and procedure. Aside from rice, the project is also expanding into corn crops and correlation studies between weather parameter and yield are being carried out for other

crops such as coconut, sugarcane, cacao and pineapple.

IC strongly believes that WIBI product is promising and doable. If the private insurance industry will be able to access the product, it will be an opportunity for nationwide roll out of WIBI. For the IC to approve such product, it is imperative that the data is available to the public and the clients must have a way of validating the index.

IC's role in the sustainability of WIBI is critical especially on encouraging, enhancing and facilitating the safe and sound provision of micro-insurance products and services particularly for the low-income and informal sector.

## PCIC and PMO accept actuarial majors from UP for internship



The WIBI Mindanao Project through the Philippine Crop Insurance Corporation (PCIC) and Project Management Office (PMO) accepted a group of students from the University of the Philippines in Los Banos (UPLB) for an internship program from June to July 2016. Under the UPLB College of Arts and Sciences, the students were enrolled in Bachelor of Science in Applied Mathematics Major in Actuarial Science.

During the course of their internship, the students were asked to develop a research proposal on willingness-to-pay study and determining the premium pricing of index-based insurance based on the existing information available in the project. Their outputs were presented during the WIBI Development Team Meeting.

In conclusion, the students share their lessons and insights from their internship experience with WIBI Mindanao Project.

*"It made me reflect on what an 'Iskolar ng Bayan, para sa Bayan' should be. With the economic, environment and sustainability problems that our country has, we must struggle to help and do our best in improving the lives of our fellow Filipinos. And this WIBI for Mindanao is just one of the projects that aim for this goal. I am proud to be a part of this, even just for a while, for I believe that once this project succeeds, it will contribute to the welfare of our own farmers. Farmers that were neglected though they provide us with foods that we consume every day."*

-Ana Marie Malvez

*"At first, somehow I felt nervous because almost everything is new to me. New dormitory, new environment, new field in my actuarial career and new people to interact with. But as time goes by, the nervous feeling diminished and slowly turning into excitement. Eventually, I enjoyed doing all my tasks doing it with the new environment, with my new friends, with my new teacher,*

*and with my new family."*

- Gemar Paul Villareal

*"It was a good thing that we were exposed to non-life insurance because it can give us insights on which track we should pursue, life or non-life. Through this internship, we did not only apply the knowledge we learned from the university but also we were able to learn things that weren't taught under our curriculum."*

-Regene Louise Dangaran

*"I learned so much from this internship experience. As an aspiring actuary, it served as a motivation to learn more about the field that I chose. As a student, it was a great training for the mind as I was exposed to the intricacies of research and the project as well. It was also an auxiliary tool for me to assess myself. As a shy individual, the internship gave me a boost to my self-confidence by delivering presentations to various people."*

-John Carlo Asido

## WIBI Development Team convenes to discuss field implementation and tech updates



The Project Management Office (PMO) convened the members of WIBI Development Team on July 25 and 26, 2016 in Tagaytay City to provide the 2016 project implementation updates including recommendations from the Chief Technical Adviser (CTA) on the planned expansion of the programme, the upcoming actuarial studies to

determine the WIBI premium and willingness-to-pay (WTP) study. During the meeting, the team also finalized the versions of WIBI product guidelines for rice and corn.

The meeting was well-represented by all the members of the Team from Philippine Rice Research Institute

(PhilRice), Philippine Atmospheric Geophysical and Astronomical Services Administration (PAGASA), Regional Managers and Focal Persons from PCIC Regional Offices X and XI, PCIC Head Office and United Nations Development Programme (UNDP) Philippines Country Office.

## Integrating WIBI...

(from Page 1)

The lawmaker is vocal on his support for the recapitalization of PCIC from Php 2.0 billion to Php 10.0 billion for the purpose of integrating the index-based crop insurance into their product portfolio. Furthermore, the proposed recapitalization intends to capacitate the Corporation to enter into reinsurance services.

Micro-insurance and other private insurance companies are more enticed to mainstream this innovative insurance product if the risk they acquire is shared. Once WIBI is available nationwide, these insurance companies are the potential business partners of PCIC in mainstreaming agri-insurance and penetrating the broader market of farmers and financial service providers.

This major policy initiative is a key driver to further streamline the product improvement of WIBI and to ultimately scale out to a greater geographical areas with larger number of smallholder farmers and to variety of crops beyond rice and corn. With the strong support both from the Congress and the Senate, the WIBI Mindanao Project remains auspicious in terms of its policy directions and sustainability.

## PCIC Board approves...

(from Page 1)

### Resolution No. 2016-052

***“Resolved, to approve, as it is hereby approved, the allotment of full (100%) premium subsidy/ discount amounting to Two Million Pesos (Php 2,000,000) for the insurance coverage of the rice and corn crops of additional***

***two thousand (2,000) farmer-cooperators in Regions X and XI, participating in the DA-PCIC-UNDP Weather Index-Based Insurance (WIBI) Mindanao Project, for the period July 1, 2016 to June 30, 2017.”***

The WIBI Mindanao Project is set to be concluded on December 31, 2017 and will only accept farmer applicants for WIBI until June 2017. The original target of the project is to reach 2,000 farmers enrolled in WIBI.

Due to the demand and to further extend assistance to rice and corn farmers within the area coverage of the Project, the Project Management Office (PMO) through its Project Manager, Mr. Israel Q. dela Cruz proposed for the extension of the premium subsidy coverage from PCIC.



## Measures to unlock agri-financing: an excerpt from Cong. Yap's speech on EU-PH business summit

From the perspective of a legislator, Cong. Arthur Yap enumerated the following measures towards efficiently unlocking the public funds to the agriculture sector:

*“Side by side with infrastructure spending is the need to flush capital from the formal financing sector to farm production. We are characterized to date by informal lending at stratospheric interest rates unsustainable at a time of climate change.*

*I believe three key measures will be needed to un-lock funding to the farm sector:*

*1) the re-capitalization of the Philippine Crop Insurance Corporation or (PCIC) and the expansion of its mandate to undertake re-insurance and direct insurance of weather index based insurance products must urgently be achieved. For a country as weather vulnerable*

*as the Philippines, there can be no financing without risk transfers and mitigating financial instruments in agriculture today.*

*2) We must institutionalize an Agriculture Guarantee Fund Pool. Aside from index based crop insurance, a guarantee fund for lending will better stabilize the sector. To those who think these are not in place today, will be happy to note that the PCIC, together with the UNDP, are working in Mindanao with hundreds of farmers making pay-outs using weather index based insurance products while the Landbank, has continued, to manage a Guarantee fund Pool since 2008 to very positive reviews by lenders and borrowers alike.*

*3). We must create the system and infrastructure to allow farmers to dry and store their commodities so they can pre-sell their produce, or withdraw and re-sell their produce for better prices when*

*the opportunity arises. Creating an environment for a commodity exchange will be needed soon as an added feature of financing Philippine Agriculture. A system to store produce in a country where post harvest losses average 15% can be created from a reformed National Food Administration. The NFA can be re-structured to stay within its regulatory functions with its nationwide warehousing network housed in a newly created National Food Service Corporation to serve the needs of farm producers.*

*These three measures will need Congressional approval but I have no doubt that with Presidential backing, these will be passed into law. Of course, incentivizing the private sector through fiscal incentives based on the jobs they create will go a long way in helping them lead the way. But no fiscal incentive will help without the package of measures mentioned here.”*

## Willingness-to-Pay (WTP) study orientation for WIBI Mindanao project field partners



Participants from the LGUs during WTP orientation



SVP Norman R. Cajucom delivering his opening remarks

One of the key target outputs of the WIBI Mindanao Project is to determine the acceptability and willingness of farmers in taking up an innovative insurance product that is worth their investment. More importantly, the devastations nowadays are brought about by weather uncertainties and weather index-based insurance (WIBI) product provides smallholder vulnerable farmers the option to manage this kind of climate risk.

There are various types of studies to determine the perception in academic research. With this project, the management aims to combine both technical, academic and

practical validity of WIBI. Hence, an orientation on willingness-to-pay (WTP) study was arranged primarily for the stakeholders of the project.

WTP studies aid in coming up with policies regarding payments and pricing strategies that can help predict the response of farmers with price changes. It can also gauge the extent to which a farmer can pay for the insurance; thus, information from WTP surveys will enable policy makers and partner insurance agencies make decisions on improving the accessibility and affordability of the product to low income farmers (Gebre, 2014).

Ms. Kim Cochon, market analyst of the project spearheaded the discussion and the actual conduct of the orientation on September 16, 2016. Representatives from the local government units of Davao City and Bukidnon traveled to Manila to participate in the one-day WTP orientation. With the participatory nature of the workshop, the attendees were able to apply the concepts and methods of carrying out the survey. The activity will be cascaded to their respective areas in close coordination with the community organizers, PCIC and the PMO. The initial results of the WTP study is expected to be generated by December this year.

## Inang Lupa Movement supports the upscaling of index-based insurance in PH



The Project Management Office (PMO) led by Mr. Israel Q. dela Cruz organized an exploratory meeting with the Inang Lupa Movement (ILM) - a social movement working for a science-based climate-smart and competitive Philippine agriculture for social and economic empowerment of smallholder farmers. Dr. William D. Dar, the former Secretary of the Department of

Agriculture (DA) and previously the Director General of International Crops Research Institute for the Semi-Arid Tropics (ICRISAT) is the founder and president of ILM.

In support to the new administration especially to the incoming agriculture secretary, Mr. Emmanuel "Manny" Pinol, Dr. Dar emphasized to the PMO to consider prioritizing the 10

poorest provinces in the Philippines especially those in Mindanao.

Highlighting the 61.7% poverty incidence on the province of Sarangani in Region XII, Dr. Dar believes that the innovation in agriculture like the index-based crop insurance will provide opportunities to the vulnerable farmers to be better off amidst the uncertainties being brought by extreme weather events.

In conclusion, the participants in the meeting agreed that the risk management aspect in agriculture shall cover beyond weather risks but rather an integrated and holistic support to communities including index-based crop insurance, establishing or strengthening institutional capacities as well as the local governments.

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