

A Case on Banking with Climate Change Risk-Vulnerable Farmers

The partnership, the bank further notes in the same report, has helped it improve and strengthen its Micro-Agri Project by enabling it to reach the small farmers.

Bulaon explains that the bank's engagement with the high risk farmers was "walang atrasan, walang pilitan" (no retreat, no forcing either).

It has always been the story of their bank as well, she shares.

PBC started off as the Rural Bank of Talacogon in 1972 making it 39 years old today. It changed its name to PBC in 1997 and in 1998 it went into micro finance operations.

Since its beginnings and up to the present with its over 41,000 active members – the goal is still the same: "to teach the micro entrepreneurs to dream and more importantly to work for their own advancement", says Bulaon.

The partnership under CCAP actually serves as showcase that the scheme can be done by banks, [not just by cooperatives which by their nature, being a facility that farmers themselves can put up or by some Local Government Units (LGU)], that the banks simply has to go into it to make credit accessible to farmers in drought or flood-prone farms.

In a discussion sometime in September, the PBC officers revealed to the CCAP team, that as early as that time, long before the pilot tests are over, rural banks in the region are looking closely into the climate change adaptation scheme that it has pioneered.

Of the rural banks in Caraga, the PBC officers readily identified two networks that can readily adopt the scheme.

"We just can't serve everybody", Bulaon says on the idea of passing on the scheme among rural banks. These two rural banks, she notes, are the most inquisitive in talks during meetings among rural bankers.

"So it could be a case of a big sister (PBC) training a little sister (other rural banks)", Ms. Lorraine Villacorta CCAP ILO Project Manager says of the possible arrangement that her office would gladly see as a result of the project.

WHAT THE PBC officers see as the crucial element that needs to be added in the subsequent cycles of the scheme is a comprehensive marketing support, especially in rice. They see traders wanting to have control over farmers from financing to provision of production inputs and thereafter on the price of palay when harvest time comes. More than seeing the farmers getting low prices for their produce, the more



disturbing thing is seeing the farmers at a loss on where to sell their rice.

Moreover, the practice in some areas, according to Bulaon, is that the traders won't buy palay from farmers who did not borrow money from them at the start of the cropping season. The farmers then are at a loss where to sell their harvest. The absence of a facility where to store a considerable volume of the crop makes it more difficult for the farmers. Some farm level grains processing center were established in recent years but many of these are not functional for various reasons, she says.

"This makes us also concerned and involved in looking for buyers for our rice farmer clients," Bulaon shares.

Some farmers have a practical way of addressing the problem, according to PBC's development officers (DOs). "In addition to securing loan from rural banks for most of their needs, they also borrow some amount from a trader to ensure that their produce gets bought."

Bulaon says that LGUs could very well address and respond to this problem.

The other thing that PBC wishes as the CCAP ends its test run is that it could help make way for the availability of support funds for the bundled support services, especially in area of social preparation.

In its own way, PBC "will strengthen the program," says Tejan as she reveals plans of the bank to replicate the project in the 11 areas in Mindanao where the bank has a branch.

This caselet is prepared by the KM & Process Documentation Support Group - Caraga Learning Service Providers Network (LSPN) for the ILO-DOLE-DTI Climate Change Adaptation Project (CCAP).

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The International Labour Organization (ILO), a specialized agency of the United Nations is implementing this demo project in partnership with the Department of Labor and Employment (DOLE), Department of Trade and Industry (DTI) in collaboration with the provincial government of Agusan del Norte and the municipal governments of Las Nieves, R.T. Romualdez, Jabonga and Buenavista.

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Outcome 3.4 – Climate Resilient Farming Communities in Agusan del Norte Through Risk Transfer Mechanisms
Implemented by the International Labour Organization • Department of Labor & Employment • Department of Trade and Industry • Province of Agusan del Norte



*Climate Change Adaptation Project
Caselet # 3*

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People's Bank of Caraga, Inc's Isa-isang, Sama-samang Pag-unlad Plus (ISAPA +):

Working on farmers' huge potential for savings; protecting farmers and their families through insurance; integrating non-financial services for greater impact; employing group solidarity approach as collateral substitutes and building partnerships for capacity & resource sharing



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LENDING FOR FARMING ventures among low-income borrowers in climate change vulnerable areas can be done by banks after all.

This, according to Wilma A. Tejan, manager of the Cabadbaran City Branch of the People's Bank of Caraga (PBC), has been what her bank had realized after it saw signs of success in the test run of the scheme the bank has designed and implemented in partnership with the Climate Change Adaptation demonstration Project (CCAP) in the province of Agusan del Norte.

The demo project, "Climate Resilient Farming Communities in Agusan del Norte Through Risk Transfer Mechanisms" is one of five climate change adaptation projects in the country and the only one in Mindanao. This is under Outcome 3 of the Spanish government-funded Millennium Development Goal Achievement Fund (MDG-F 1656) UN-GOP Joint Programme on "Strengthening the Philippines' Institutional Capacity to Adapt to Climate Change."

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"Kaya diay (It can be done after all)", Tejan stresses on how she now sees taking in this client group as regular borrowers.

Banks in the Philippines normally shy away from covering borrowers with so much risk, especially for production loan for the low income



group in disaster-prone areas. True, some rural banks like the PBC, have devised ways and have been making headway in developing clients of good standing among them but not in agricultural ventures in areas where climatic risks such as flood or drought are pronounced. PBC held the same view until the CCAP came.

The CCAP process which started with the baseline study of the province to choose the four priority sites also involved vulnerability and adaptation assessments which facilitated further mapping of vulnerable barangays, value chain analysis of major crops in target farming communities and market research for options for economic diversification, design of the innovative and integrated financial package and profiling

of the appropriate potential FSPs for the latter's test run.

The integrated financial package came in three models, the rural bank model, LGU Loan Facility and the cooperative model. The pilot testing started in February and completed as the cropping season ended in November.

For the CCAP, engaging a rural bank in the pilot testing was crucial for the project to generate valuable inputs in the process of mainstreaming it as among the regular financial schemes accessible to farmers. The CCAP partnered with PBC to test run an innovative and integrated financial package consisting of credit, savings, social protection and non-financial services for crop production and alternative livelihood of climate change risks vulnerable farming communities". PBC brought into the partnership funds for the financial services, putting on the line its own funds of more than Php5,000,000 while the ILO provided the funds for the non-financial services and administration as well as monitoring of the test run.

THE LENDING SCHEME, says Tejan, is actually not "that new" to PBC. True indeed, as resulting from the market research conducted by CCAP, the scheme consists of several salient features derived from a current package of her bank – the Isa-isang Pag-unlad or ISAPA, a modified Grameen lending model that offers loan to low-income women engaged in micro-entrepreneurial ventures or the "alternative livelihood" in CCAP's term.

Conforming to the package designed and agreed upon in the partnership with ILO under CCAP, PBC targets farmers in areas vulnerable or prone to climatic hazards as its preferred clients. In addition, the actual targets for the crop production loan package are the farmer husbands of women who are already their clients under ISAPA. Thus the ISAPA PLUS tag to the CCAP rural bank model.

Furthermore, access of a farming household to the ISAPA-PLUS loans starts with a micro-agri enterprise loan of the wife who will need to first build a good credit standing before their husband could access the crop loan.

Another added feature of the ISAPA-PLUS package is the bundle of support services which aside from a Simplified Financial Literacy Briefing also provides for Climate Change Briefing and the requirement for borrowers to attend the Farmers' Field School.

The other conditions in the package that in general are already part of PBC's regular micro-credit program are:

1. Membership in a barangay center/cluster and willingness to abide by the rules of a modified "Grameen" model of joint liability/responsibility/ commitment either by groups of five and active participation in group meetings and activities
2. Submission of business plan budget to be endorsed by the either the municipal agriculturist, agricultural technician or the counselor of the Department of Trade and Industry
3. Attendance to all social preparation activities and input briefings
4. Attendance to weekly meetings

PBC's pilot sites for the package are Buenavista, Jabonga, RTR and Las Nieves.

The crop production loan supports rice and corn farmers. Loanable

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amount is based on farm plan and budget but contingent on whether the farmer is 1st cycle or repeat borrower ranges from Php3,000 to Php15,000 per hectare to a maximum of 5 hectares. The interest rate is 2.3% per month, computed based on diminishing balance. Processing fee is 4%. Processing time is within one day upon submission of completed documents.

Enrolment in crop insurance is a must, either under the Philippine Crop Insurance Corporation (PCIC) traditional indemnity-based insurance package or through the Weather Index-Based Insurance (WIBI) also developed by the Climate Change Adaptation Project (CCAP). Provision for mutual social protection is also among the conditions. Here, the borrower is required to deposit Php450 to be eligible for mutual death benefit under the rural bank's PBC-Mutual Benefit Association (MBA) and I-CARE program. Philhealth membership is also required.

AS OF MID OCTOBER, PBC Micro Finance Director Epifania Bulaon, "Fanny" to most of the partners, reported that 212 socially-prepared farming households were granted loans under the ISAPA-PLUS scheme. This involved a portfolio of Php6,808,000. And based on payments on those that fall due during the period, the repayment rate is 100%!

Bulaon also reported forming 14 clusters of the farmer-husbands tilling a total of 323.3 hectares i.e., 231.2 hectares of rice and 119.1 of corn hectares.

The bundled non-financial services included continuing education for both farmers and their spouses and other family members during the cluster meetings covering the following:



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| <p>For farmers –</p> <ol style="list-style-type: none"> 1. Climate Change 2. Organic farming (dialogue among farmers) 3. Value Chain 4. Leadership Training <p>For spouses/family members -</p> <ol style="list-style-type: none"> 1. Financial Management / Financial Literacy 2. Livelihood Skills Training 3. Micro-Negosyo Fair |
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"Despite the short period of time allotted for project development, the high risk of covering climatic hazard areas and the pressure that our staff has to face to overcome the odds, we have done it," exalts Tejan.

Octavios Doria, PBC Branch Manager of Sibagat which covers the areas of Buenavista and Las Nieves fully agrees.

The PBC also values the knowledge that it gained and the network that it has established in the process of forging the partnership. The bank notes in its October report the "importance of linkages among those who work with the farmers towards their development."

"All our branch managers are linking with national government agencies, local government units and doing marketing tie-ups in behalf of farmer borrowers," says Bulaon in a recent briefing on the project.

"Mas may pagkukulang ang banko (The bank is more remiss) if there are failures. It is not solely the fault of farmers," she adds.

