

A Case on Providing an Alternative Financing Source to Complete the Package of Farmer Support Services

The LGU is currently producing organic fertilizer through vermi composting and vermin cast and vermin tea as organic spray. The municipal focal team members are the first to admit that current production levels are not enough to serve the farmers that they have financed as well as those that they are servicing. The MAO has tried to address this concern by sourcing from nearby LGUs like RTR or referring farmers to other private producers (who they also helped set up) in the area.

Buenavista just like RTR is also a pilot area of the Weather Index-Based Insurance (WIBI) a scheme that covers crop losses in cases of low rainfall (drought) or excess rainfall for rice and corn.

All 50 hectares of the 52 LGU loan facility farmer-borrowers were enrolled in the WIBI for both excess rainfall and low rainfall cover. About 75% received pay-outs in the amount of P189,264.00 when the low rainfall index was breached in August. The case of the other 25% has yet to be settled because although there was synchronous planting the enrolment for some was delayed on the account that the financing sourced out from the provincial government came late. It was a lesson for the lender/aggregator (Buenavista LGU) that was learned the hard way.

“Had we known it, we could have advanced the premium. We just treated it as a test beyond our control,” Macomao relates.

This matter aside, Calunsag, Macomao, the whole MAO and the other members of the Municipal Implementing Team – led by Mayor Francisco Chan, Vice Mayor Ramon Bungabong, SB Breo Amoroso of the Agriculture and Environment Committee and heads of offices of the municipal planning, environment, and engineering were one in saying that the test run was a success.

They are looking forward to a continuous disbursement of the loan funds which now form part of the LGU’s Climate Change Adaptation Fund and provision of the bundled non-financial services to reach more farmers in their town.



This caselette 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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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
Caselette # 6*

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Buenavista LGU:

Providing access to affordable financing, allowing farmers a chance to get out of high-cost financing sources and indebtedness, protecting farmers and their families through insurance, and integrating non-financial services for greater impact



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Whereas before, they could only offer sympathy and a listening ear to farmers who shared their woes on piled debts and lack of motivation to harvest knowing that a very minimal if not none of the proceeds would be left to them after paying the debts - this, the agricultural technicians (ATs) in the municipality of Buenavista described of their services to farmers years ago. Now, they are very happy, they can do more! "Grabe gyud nakat abang." (It's really a big help) says Gertrutin Natonton, AT of Barangay Macalang of the innovative and integrated financial package being offered by the local government unit (LGU) of Buenavista.

The integrated financial package referred to is the climate change adaptation (CCA) innovative financing scheme- LGU loan facility model which is being tested in Buenavista starting March 2011. Buenavista is one of two Agusan del Norte LGUs (the other is the town of Jabonga) which have replicated the LGU loan facility based on the OTOP Rice Loan Facility established in the LGU of RT. Romualdez and further developed under the Climate Change Adaptation Project (CCAP) in the province of Agusan del Norte as one of the financial risk management mechanisms for climate change adaptation. The other models developed and tested are the cooperative and the rural bank models.

Implemented by the International Labour Organization (ILO), a specialized agency of the United Nations, with the Department of Labor and Employment (DOLE), Department of Trade and Industry (DTI) in collaboration with the provincial government of Agusan del Norte, CCAP has Buenavista as one of its priority municipalities.

Natonton is one of nine (9) ATs of LGU-Buenavista's Municipal Agriculture Office (MAO) servicing a total of 25 barangays of the town.

She is also one of the six (6) ATs directly supervising the financial package for some 50 farmers spread in six of the town's barangays earlier identified as most climate change risk- vulnerable. These are the barangays of Abilan, Talo-ao, Alubihid, Agong-ong, Matabao and Macalang.

"The financial package is a 'welcome' addition to the services we have been offering to our farmers," shares Virginia Macomao of the Buenavista MAO. This, she said is the first time that their office or their LGU for that matter will be managing and administering a financing facility.

"It was a consensus among all municipal focal team members to do the replication," says Macomao.

Eusebio Calunsag, the town's Municipal Agriculturist (MA) added that there were no second thoughts they could handle the integrated financing facility as that of the RTR.

Macomao agreed noting that like most MAOs they have experienced managing related activities such as the provision of subsidized seeds and distribution of foliar fertilizer. As a matter of fact, they have been successfully

running their own Farmers' Field School (FFS) or the Palay Check Program.

The Buenavista LGU Loan package is production-cycle responsive (released when needed according to the production cycle, paid only upon harvest), non-collateralized, with fewer requirements, and integrated with support services. With the said requirements, the processing therefore is fast. The loan package has the following features:

1. Not a dole-out. The assistance comes in the form of loan with 5 percent interest per cropping or P750.00 interest (on a P15,000 loan per hectare) for the whole cropping period)
2. Loan is only given to graduates of the Farmers Field School (FFS)
3. The assistance comes bundled with relevant trainings and briefings on a) financial management-budgeting, savings, credit management, b) climate change, c) environmental laws and policies, and other services coming from national agencies as well as continuing FFS (season long training) for other topics such as livestock raising, vegetable/corn and high value crops productionSupport to farmers in ensuring access to affordable and readily available farm inputs.
4. Assistance in taking out crop and credit life insurance from the Philippine Crop Insurance Corporation (PCIC)

Calunsag noted that the climate change adaptation financing is a fitting complement to the indigenous ways of adapting as practiced by most farmers in vulnerable areas in their town.

Farmers, he said have learned to make some adjustments in their cropping calendar avoiding months when flooding usually occurs and the Municipal Agriculture Office, through its own studies in the field, has been helping the farmers determine the appropriate dates.

The ready and available financing is therefore crucial for farmers, enabling them to plant when they should, reducing risks and vulnerability from untimely planting dates.

Calunsag explained that thankfully most of Buenavista's 25 barangays are not prone to flooding because of the LGU's good drainage system established through the help of the National Irrigation Administration projects. But the six barangays chosen for the test run of the innovative and integrated climate change adaptation financing have been known to sustain flooding after just two or three days of continuous rains.

Farmers in these areas have not been spared from the high-interest charged by financiers and traders who also purchase their harvests at very low prices.

This was exactly the case encountered by Agriculture Technician Natonton who is handling five (5) borrowers in Brgy. Macalang for the test run.

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She said she is happy to start providing a better financing option for one farmer at a time (or as in her case five farmers at a time).

"I have heard complaints from some farmers regarding one borrower for this test run," shares Natonton.

According to her, one of the five borrowers from her assigned barangay is someone who is "puno sa utang" (up to neck with debts) and almost always is left with no rice for her family's consumption come harvest time, because collectors line up in the farm site to ask for payments. Natonton said, she explained to the other farmers who seem to lose hope on the rice farming capacity of this lady that if the government will not help her, who else will. She reasoned out she finds it appropriate to test if bailing out this type of farmer-borrower can in fact be done and therefore can be applied as well to other cases in her barangay and in the other areas in the town.

True enough, the farmer-borrower made good on her loan. Although making her totally debt free may take a little while, the crucial first step has been taken- i.e. to stop the onerous financing arrangements she had in the past is already done with the CCAP financial package.

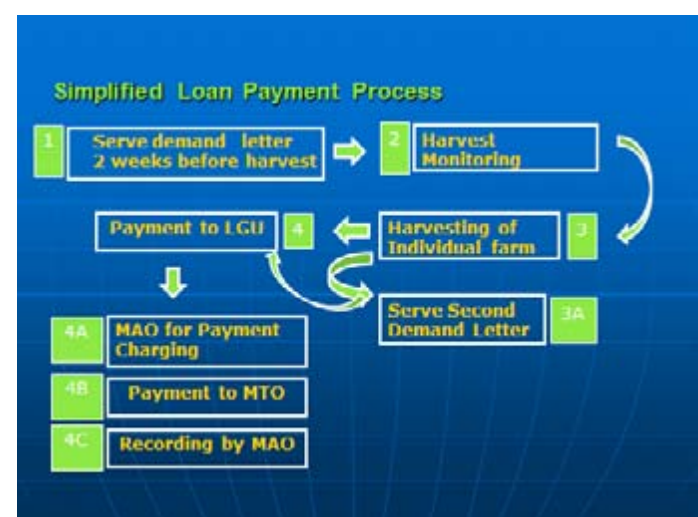
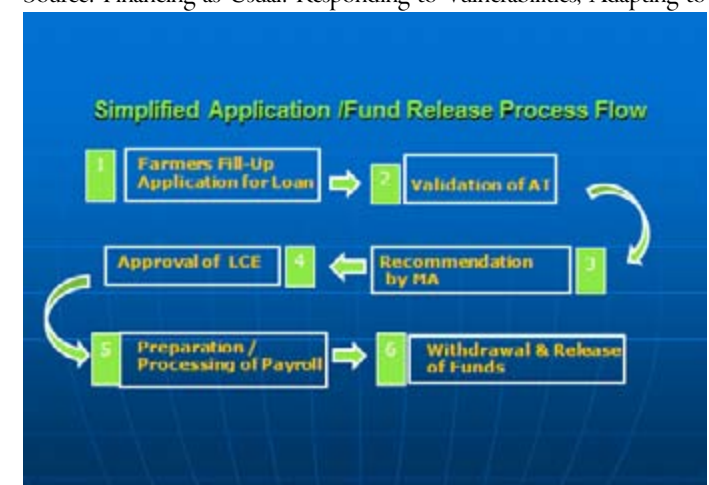
This kind of close monitoring is what Natonton and her fellow ATs are doing for all the farmer- borrowers under the LGU loan facility.

Macomao added that the MAO's additional activities in the implementation of the CCAP financing include 1) weekly implementation team meetings; 2) farmers' orientations and pre-release briefings and trainings; 3) weekly on-site farmers meetings and consultations with ATs; 4) monitoring of loan use and the actual crop production activities; and 5) monitoring of harvest.

The release of actual loans and repayment are done at the LGU's Treasurer's Office.

The simplified application, release and repayment process flow is as shown below:

Source: Financing as Usual: Responding to Vulnerabilities, Adapting to



Climate Change – Presentation by ILO CCAP Project Manager L.B. Vilacorta during the Mindanao LGU Summit, 2011

MA Calunsag in his report during the last CCA Project Advisory Committee Meeting shared that a total of 52 farmer-borrowers – 27 males and 25 females cultivating a total of 50 hectares of rice lands were able to avail of the loans totalling P750,000.00.

The loan funds came from the CCAP test run funds of P450,000.00; P150,000.00 counterpart part funds from the Municipal LGU of Buenavista and another P150,000.00 from the Provincial Government of Agusan del Norte.

The farm plan budget for all borrowers per hectare (except for two who are tilling only a half hectare each) has been standardized and is reflected in the actual rice production loan application & promissory note filled out by each borrower, as follows:

Total Loan Amount		P15,000.00
Deducted from Loan:		
Organic Fertilizer	2,500.00	
Crop Insurance	750.00	
Loan Repayment Protection Plan	150.00	
Sub-Total	3,400.00	11,600.00
Expected application of net proceeds:		
Seeds	P 1,200.00	
Land Preparation	4,000.00	
Pulling	1,400.00	
Transplanting	3,000.00	
Inorganic Fertilizer	2,000.00	
Sub-Total	11,600.00	net proceeds released to borrower