

Building Climate Resilience, Transferring Risks and Financing Local Adaptation

Climate Change Adaptation Project (CCAP)
MDG-F 1656 Outcome 3.4 Climate
Resilient Farming Communities in
Agusan del Norte through Innovative
Risk Transfer Mechanisms
2009-2011

Climate Change Adaptation-
Support Programme (CCAP
Follow-through)
2011- To Present

CCAP Scale-up
Scaling Up Risk Transfer Mechanism
for Climate Vulnerable Farming
Communities in Southern Phils
Targetted Dates: 2013-2016

Climate-related disasters represent a major source of risks for the poor in the Philippines, particularly, for the poor farmers who are dependent on "good weather" for their survival and livelihood. The unpredictable weather patterns climate change brings such as the increasing frequency and intensity of extreme weather events like floods, droughts and typhoons, makes more uncertain the farming activity. Compounding their already poor economic condition and difficulty in access to financial and productive resources, climate change risks thus serve to trap poor farmers into poverty.

CCAP- Pilot Project: 2009-2011

The Climate Change Adaptation Project (CCAP) was an initiative which developed and applied a financing and risk insurance model to rice and corn farmers in vulnerable areas of Agusan del Norte in North Eastern Mindanao, Southern Philippines. This is an area that is highly vulnerable to climate-related disasters, and particularly with farmers dependent on “good weather” for their survival and livelihoods. The CCAP approach, in essence, bundles and rolls out critical financial and non-financial services in an Integrated Financial Package (IFP) to farmers who are made more vulnerable to climate-related risks by their poverty and lack of access to financial and productive resources.

The CCAP IFP facilitates increased access to **credit** in support of the farming households’ crop production and alternative livelihoods, to **savings facilities**, to formal and informal **insurance** (crop, life, health) including the innovative **Weather-Index-based Insurance (WIBI) Package**. It further facilitates access to productive services including agri-technology training (Farmers Field School) and related agriculture support, enterprise/business training, financial literacy as well as market information and assistance. These services are delivered through the three (3) models of the IFP: the **Rural Bank model**, **Cooperative model** and **LGU Loan Facility Model**.

It is effective because it works with service providers able to seek out high risks communities not being covered by regular financial institutions. It is effective also because it is able to mobilize and optimize use of local resources and link up the vulnerable communities to valuable existing productive and technical support facilities. As a result, these communities are able to continue with production in the face of climatic risks, diversify their incomes, strengthen their asset base and apply more effective risk based decision-making to farming.

At the end of the pilot in 2011, CCAP benefitted around a thousand farming families who were seen with increased net income owing to (i) lower interest payments (from previous high interest of 6% per month with traders down to only 2.3% with the rural bank model, 1% with the coop model and a much lower 0.83% with the LGU loan facility), (ii) lower cost of



Agusan del Norte is located in North-Eastern Mindanao (Caraga Region) in Southern Philippines. 57% of the households in the province or 31,913 households live below poverty line, a great majority of which are rural households dependent on farming. The province is significant in terms of the agriculture production of the whole Caraga Region and it is the region’s leading rice producer. Remedios T. Romualdez, one of the four CCAP priority municipalities, is the rice granary of the province. Las Nieves, another CCAP priority municipality, is the largest producer of corn, while the two others, Buenavista and Jabonga are major producers of coconut and rice. 4837.45 hectares of the land in the four municipalities are devoted to rice and tilled by around 4,057 farmers. At least 1,327 hectares is planted to corn by 1,288 farmers and 7904.49 hectares is reportedly planted with coconut and other crops (CCAP-FVCA 2010).

The Baseline Study of Farming Communities, the Farming Value Chain Mapping and Analysis and the Market Research of Viable Climate Change Adaptation options Studies, show that the majority of farmers access financing for their crop production needs not through the banks but through informal lenders or “traders.” While interest rates are of course very high, farmers deem them more accessible as there are no collateral nor voluminous documentary requirements. More importantly, loans are released instantly in cash. The farmers in the province, characterizing the farmers in the Philippines generally lack access to financial information; lack acceptable collateral required by formal financial institutions; are with unstable income and cash flow; and as a logical consequence of the preceding, have very low paying capacity- reportedly can only set aside Php80.00/per month for insurance and as such do not avail of it; and could not fully benefit financing even when availed of given limited business experience.

The Vulnerability and Adaptation Assessments (V&A) conducted confirmed the various climate- related risks faced by the Agusan del Norte farmers, excessive rain, floodings and drought which are coming in increasing intensity, frequency and unpredictability over the past recent years. Exacerbating already poor condition and lack of access to responsive and affordable financing and productive support, these climate change risks served to trap the Agusan del Norte farmers into poverty.

production inputs (brought by enhanced access to inputs including organic fertilizers now being produced locally and through FSP-assisted procurement); and (iii) the additional income obtained from alternative livelihoods. These enabled some farmers to rent additional/alternative farm lots in higher ground (away from great risk of flooding) and others to rent/purchase second-hand vehicles to directly manage transport of their products and obtain better prices. Interesting to note, the traders interest’ rate has gone down to 3% per month. While the baseline study showed that farmers

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in Agusan del Norte generally did not have savings, the coop model farmers recorded savings of Php458,764.20 (US\$10,427) plus a members' capital build up of Php252,978.27 (US\$5,750); while the rural bank model farmers recorded savings of Php106,000.00 (US\$2,409), at the end of the pilot. These savings spent readily-available money for emergencies, including climate-related disasters, and possible graduation from loan dependencies.

Results of the pilot moreover have shown that 103 out of 154 farmers enrolled in Weather Index-based Insurance (WIBI) were able to obtain pay-outs for low rainfall events in one municipality (Buena Vista) and excessive rainfall in another (Remedios T. Romualdez). These pay-outs were released quickly without the need for farmers filing claims nor field assessments, covered the costs of production and allowed replanting immediately within the cropping cycle. This, combined with increased savings and reduced interest payments for key agricultural inputs, has helped to transform the livelihoods of communities living in the Agusan del Norte province.

Moreover, beyond protecting crops and possible loss of income from disasters, CCAP addressed the most important issue of safety and prevention of loss of lives by helping its priority communities establish its early warnings systems. The weather devices installed in the communities served not only to monitor the possible breach in the indices for the WIBI but also provided the much needed information for disaster preparedness and early warning. Manual rain gauges, flood water level gauges and warning signages were installed in flood prone barangays to support the automatic weather station. Transmission protocols were crafted per barangay with designated barangay residents trained as monitors along with municipal technical officers.

CCAP Tables Participants-Beneficiaries to IFP Test Run (Cycle 1- Financial Services) May-November 2011

1. CCAP Beneficiaries: Crop Production and Alternative Livelihood Loans

	Rural Bank	Coop	LGU Loan Facility
Crop Production Loans (Rice/Corn)			
Men	147	39	111
Women	65	29	145
Total	212	68	256
Amount	Php4,221,000	1,020,000	6,047,500
Alternative Livelihood Loan (Farm/Off-Farm)			
Men	21	8	21
Women	222	41	31
Total	243	49	52
Amount	Php2,587,000	735,000	535,000
Total per Model	455	117	265
Overall Total	665	175	317
			Amount: Php13,145,500

- (1) RB-4 Municipalities; Coop-3 Muns, LGU Facility-3 Muns
 (2) Crop Production Loans: Based on Farm Plan & Budget Php15,000/Hectare to max 5 Hectares
 (3) Alternative Livelihoods: Based on Business Plan

2. CCAP Savings Generated (By end of Cycle 1-CCAP)

Financial Services/Components	Rural Bank	Coop
Savings	Php106,000	Php458,764.20
Capital Build-Up		252,978.27
Total	Php106,000	Php711,751.27
Overall Total	Amount: Php817,751.27	

(1) Only the RB and Coop Models have direct savings components; savings with these banks/facilities also encouraged in the LGU Loan Facility participants.

3. CCAP Weather Index-based Insurance Enrollment and Pay-Out Schedule

Test LGU	No. Farmer Enrollees	No. of Recipients	Amount	Index Breached
Buena Vista	58	43	Php 245,287.00	Low Rainfall
Remedios T. Romualdez	98	59	998,016.00	Excess Rainfall
Total	154	102	Php1,243,303.00	

- (1) Payments made in Buena Vista to farmers in Tilling stage already only
 (2) Payments made in RTR to standing crops only (others have harvested when breached occurred)
 4. Early Warning Systems Devices Installed in 4 CCAP Priority Areas
 DOST- Caraga Region, DOST-PAGASA & OCD

4. Automatic Weather Stations

- 16 Manual Rain-Gauges
- 11 Flood Water Level Gauges
- 10 Flood Warning Signages

Important lessons learned from the test run of the CCAP IFP-cum-WIBI include the following:

- **Group Solidarity approach as collateral substitute.** Most small holder farmers do not have assets that can be used as collateral and have difficulty in willing guarantors. The rural bank and cooperative bank models can facilitate a "solidarity group approach" where the group accepts the responsibility for repaying the loans taken out by its members. Organizing the farmers into small groups or associations is a crucial step in this approach. Mutual benefit scheme practiced by the cooperative ensure risk sharing. The Local Government Units (LGUs) can make use of the existing village clusters (minimum of 5) for group formation and guarantee.
- **Savings and Capacity Development.** There is significant potential for savings and capacity development of farmers. Savings mobilization has enabled poor farmers to withstand shocks to their income and lessen the effect of crop loss and failures, emergencies and other family crises. Financial Institutions (FIs)/Financial Service Providers (FSPs) can also benefit from the savings deposited by the farmers by using them for their loan funds.
- **Farmer Education.** The bundling of non-financial services particularly farmer education plays a critical role in the success of any scheme. The Financial Literacy sessions which includes budgeting, farm planning, managing credit and savings helped farmers understand the benefits and risks of financial products and their specific terms (e.g. interest rates, premiums), as well as their rights and responsibilities in the use of the loans. Awareness translates to changes in their behaviors and practices.

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- **Insurance and Social Protection.** Uncertain weather conditions, pests and disease as well as fluctuating and unpredictable market prices demonstrate that agriculture is a risky business. In most cases, these hazards involve common or covariant risks which mean that if drought, floods, typhoons, disease or unfavorable market conditions occur, a large number of farmers will be at risk at the same time and will face the same repayment problems. A menu of social protection mechanism/insurance packages to include: crop insurance (traditional and WIBI), credit life or loan repayment package, life and health insurance and mortuary fund, can strengthen the confidence of farmers in facing risks in the face of unpredictability in their production activities.
- **FIs/FSPs Sustainability.** Institutional sustainability is fundamental for an FI's/FSP's capacity to grow and

continue to provide essential services to farmers, beyond the period of initial donor or investor support. FIs have to be able to cover the cost of funds, administrative costs, and loan losses, and allow for a profit margin by setting appropriate interest rates. Partnerships with other agencies should be continued to cover for some of the costs. LGUs can use their livelihood development funds or disaster management fund in this endeavor.

- **Risk Reduction and Adaptation.** Provision of financial services for farmers in remote and high climate risk areas can only be successful when combined with specific risk reduction and adaptation strategies, such as insurance schemes and new farming methods. A comprehensive package of measures should always be designed for farmers to effectively adapt to the effects of climate change.



The CCAP produced among other KM Products a "Policy Paper on Innovative Financing for Climate Vulnerable Farming Populations: The Case of the Three Models of Integrated Financial Package.

It also produced eight (8) presenting quick reference on experience and lessons from the implementers and farmer beneficiaries. These cases are:

CCAP Caselettes –

- #1 – A Case on Making Lending Work for the Poor & Vulnerable (Baug CARP Beneficiaries Multi-Purpose Cooperative)
- #2 – A Case on Providing an Alternative Financing Source to Complete the Package of Farmer Support Services (Remedios T. Romualdez LGU)
- #3 – A Case on Banking with Climate Change Risk-Vulnerable Farmers (People's Bank of Caraga, Inc.'s Isa-isang, Sama-samang Pag-unlad Plus (ISAPA +)
- #4 – A Case on Keeping Faith on Flood Areas as Food Areas (Las Nieves Women Farmers' Story of Bouncing Back and Getting Buoyed by a Climate Change Risk Responsive Financing Partner)
- #5 – A Case on a Farming Household's Access to Better Financing Choices (Buenavista farm couple's story)
- #6 – A Case on Providing an Alternative Financing Source to Complete the Package of Farmer Support Services (Buenavista LGU)
- #7 – A case on a Farming Household's Adaptation to Floods (Rural Bank borrower's story)
- #8 – A Case on a Farming Household's Access to Insurance, Financing and Other Support Services (Buenavista Farmer: Weather Index-Based Insurance Enrollee)

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International Labour Organization (ILO)
 Project Code: PHI/08/51M/UND/ Project Title: MDG-F 1656 Climate Change Adaptation Project
Climate Resilient Farming Communities in Agusan del Norte (AdN) through Innovative Risk Transfer Mechanism
 GOP Partners: Department of Labor and Employment (DOLE), Department of Trade and Industry (DTI), Province of Agusan del Norte

Baseline Study of Agusan del Norte Farming Communities

- Farming communities mapped out according to municipality & sector
- Major farming value chains & players mapped out and analyzed
- General ecological (social, economic, environmental, political) administrative, peace and order) profile of province & farming communities established
- Exposure to Climate Change (including to extreme events/disaster) & coping strategies employed identified
- GO, LGU, NGO/PO and joint initiatives relating to climate disaster risk reduction or enhance coping to Climate change and agri-business support identified
- Support institutions [Service Providers] re training, markets and technology identified
- Financial institutions, structures and schemes (inc. informal schemes) identified
- Existing insurance schemes and other risk transfer mechanisms identified
- Farmers knowledge, skills & training needs esp. of women farmers, in current &/or alternative lines of work or business assessed

Priority areas/sectors
Options for climate change adaptation [economic diversification] & training needs

In-depth Value Chain Mapping & Analysis & Market Research

Explore partnership with Financing Institution(s) [FI]

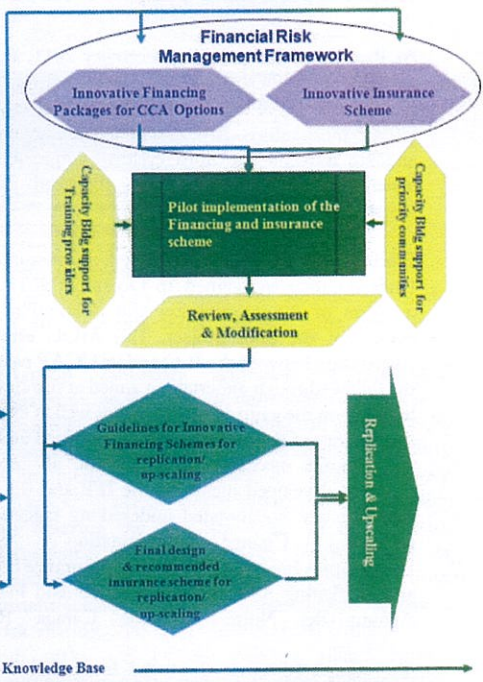
Vulnerability/Risk Assessment of Priority Area/sector

Climate Resilient Product Lines; Capacity Devt Needs; Financing & Insurance Needs and schemes

Options CCA-1 VC Upgrading and Economic Diversification (Green Jobs)

Vulnerabilities of priority areas/sectors established: Exposure, Sensitivity and Adaptive Capacity

Options CCA-2 Reducing exposure and sensitivity (Green Jobs)



Process documentation---Building of Knowledge Base

CCAP was implemented by the International Labour Organization (ILO) through a public-private partnership involving the Department of Trade and Industry (DTI) and the Department of Labor and Employment (DOLE), leading technical agencies such as the Department of Science and Technology (DOST) with the Philippines Weather Bureau

PAGASA, Department of Agriculture (DA) and the Philippine Crop Insurance Corporation, the local government units: Province of Agusan del Norte and the four municipalities of Buenavista, Jabonga, Las Nieves and Remedios T. Romualdez, and the partner financial services providers, the Peoples Bank of Caraga and the Baug Beneficiaries Multipurpose Cooperative.

THE IMPLEMENTING GROUP



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CCA-SP Sustained Delivery & Implementation: 2011 to Present

At the end of the pilot in December 2011, the ILO partners, DTI, DOLE and the Province of Agusan del Norte, took on the lead for the sustained delivery of the CCAP mechanisms, have completed the second cycle and are now on the third cycle of implementation, benefitting more than two thousand farming households.

Ending with another beginning, a Memorandum of Understanding was signed 16 December 2011 on the occasion of the culmination and celebration of the closure of the pilot project. This MOU established cooperation between the ILO and its CCAP partners in the follow-through undertaking aimed at sustaining and building on the gains of the CCAP as well as expanding the delivery of the benefits of the developed and tested risk transfer mechanisms, to include all tools and packages developed including the IFP and the WIBI, with the new collaborated undertaking tagged as the Climate Change Adaptation Support Programme- Innovative Financing, Insurance Solutions and Marketing Assistance for Farmers and Fishers in Agusan del Norte and the Caraga Region..

The completed Cycle 2 of the Integrated Financial Package and the ongoing Cycle 3, confirmed the findings and lessons from the CCAP test run. The lower cost of capital (interest rates), farm production inputs (fertilizers and pesticides and even planting materials) as well as the additional income from the alternative livelihoods spelt overall net increase of income among farmers in the intervention sites. A farming family always had multiple sources of income, but the easier access to capital coupled with the technical and market support has enabled them to further diversify (with families reporting now more than four sources), identify more appropriate crops and enterprises and ensure sustainability of these livelihoods.

Following through the gains of CCAP in terms of technical knowledge and awareness among farmers, financial literacy activities, the farmer field school (FFS) and other components of the continuing education programme for farmers under the three models were

CCA-SP Tables Participants-Beneficiaries to IFP Follow-Through Delivery Cycle 2 and 3 (November 2011- Present)

1. CCA-SP Beneficiaries: Crop Production and Alternative Livelihoods Loans

	RuralBank	Coop	LGU Loan Facility
Crop Production Loans (Rice/Corn)			
Men	184	46	111
Women	75	38	129
Total	259	84	240
Amount	Php4,304,200	1,225,000	5,986,250
Alternative Livelihood Loan (Farm/Off-Farm)			
Men	47	12	12
Women	235	36	37
Total	282	48	49
Amount	Php4,198,325	720,000	605,000
Total per Model	541	132	289
	Php8,502,525	1,945,000	6,591,250
Overall Total			Number: 962
			Amount: Php17,038,775

(1) For Coop Model- Cost of Delivery of Non-Financial Services covered by Baug Coop and Additional funds from as Nieves Municipality

2. CCA-SP Savings Generated (By end of Cycle 2 of CCAP/IFP)

Financial Services/ Components	RuralBank	Coop
Savings	Php227,000	Php 688,916.71
Capital Build-Up		483,130.98
Total	Php227,000	Php1,172,047.69
Overall Total		Amount: Php1,399,047.69

(1) Only the RB and Coop Models have direct savings components; savings with these banks/facilities also encouraged in the LGU Loan Facility participants

3. CCA-SP Weather Index-based Insurance Enrolment and Pay-Out Schedule

Test LGU	No. Farmer Enrollees	Index Breached
Buenavista	50	No Breach
Remedios T. Romualdez	123	No Breach
Total	173	

Note: As in CCAP Test Runs other farmers not enrolled in WIBI are enrolled in Traditional Crop Insurance Package.

4. Early Warning Systems Devices Installed in CCAP Priority Areas DOST- Caraga Region & DOST-PAGASA

1 Additional Automatic Weather Station for installation in Las Nieves)
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building on the gains of the CCAP as well as expanding the delivery of the benefits of the developed and tested risk transfer mechanisms, to include all tools and packages developed including the IFP and the WIBI, with the new collaborated undertaking tagged as the Climate Change Adaptation Support Programme- Innovative Financing, Insurance Solutions and Marketing Assistance for Farmers and Fishers in Agusan del Norte and the Caraga Region. undertaken in Cycle 2 and Cycle 3. It is interesting to note that farmers who have already graduate from FFS, opt to continue to attend the sessions in the new cycles.

The partnership between the ILO and its CCAP partners continued in the advocacy on Climate Change

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and on the Integrated Financial Packages promotion as well, under the CCA-SP. With support from the ILO Regional Office for Asia and the Pacific, the ILO Country Office in Philippines, the MDG-F 1656 Programme Management Unit and other groups, the former ILO Project Manager together with Focal Persons from the various partner organizations, presented in international, national and local Forums, among which were the:

- 2nd Climate Change Summit for the Insurance Industry in Singapore (January 2012),
- 2nd Asia-Pacific Climate Change Adaptation Forum in Bangkok (March 2012)
- Climate Change Commission Risk Transfer Mechanisms National Roundtable Discussion & Mindanao Forum (March & April 2012)
- Agriculture Credit Policy Council Board Meeting (May 2012)

Most recently, the CCAP experience and lessons learned were presented and promoted in the following:

- Regional Ugnayan Agri-Credit (ACPC & Dept. of Agriculture-Caraga Region) (June 2012)
- Caraga Regional Development Council Meeting (July 2012)
- Mindanao Business Conference (Philippine Chamber of Commerce and Industry, (August 2012)
- SocSarGen Agenda on Climate Change (August 2012)

*CCAP IFP Cum WIBI Cycle 2 Wrap-up and Assessment Workshop
May 30-31, 2012 | Red Palm Suites and Restaurant*



CCAP Scale up 2013-2016

Now, the ILO and its partners, are preparing the project document for the scale up of the CCAP for submission to the Global Environment Facility (GEF) through the United Nations Development Programme (UNDP). The project concept has been endorsed by the Philippines GEF Focal Points and approved by GEF with a Project Proposal Preparation Grant in April 2012.

Under this, the CCAP mechanisms will be implemented in two provinces, two cities and ten municipalities in North Eastern Mindanao. The GEF investment and contributions from all partners in the scale-up, is expected to incentivize and deliver stronger and more diverse risk management strategies for 5000 rural farming families covering an area of at least 15,000 ha.

The scale-up will tackle two key components: (a) Policy, Advocacy and Knowledge; and (b) Climate Risk Financing and Transfer. It is expected to result in regulatory and fiscal incentive structures adjusted to stimulate private sector engagement in climate risk reduction for farming households; in the innovative integrated financial mechanisms further customized and applied to strengthen climate resilience in the agriculture sector; and in farmer organizations and other local stakeholders able analyze climatic risks and accordingly develop and implement adaptation practices to enhance agricultural productivity and diversify livelihoods.

The scale-up is expected to help North Eastern Mindanao, Southern Philippines to consolidate early gains made in strengthening the adaptive capacity of vulnerable farming communities. It will also allow further investments to be made that will help to turn farming in this area from a 'poverty trap' into a pathway out of poverty.

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NEWS FLASH:
8 August 2012

CCAP Coop Model Financial Service Provider-
Baug CARP Beneficiaries Multipurpose Cooperative (BCBMP)


1st Place- GAWAD Pitak Awardee (National Agri-based Category)

Special Awards:
-Best Cooperative in Savings Mobilization
-Outstanding Key Cooperative
-Outstanding Small Fisher folks Cooperative




MORE REPLICATION UPDATES

The ILO Green Jobs – Asia Pacific Team is actively promoting the CCAP mechanism in the region with the end in view of replicating CCAP in at least 2 countries with the former CCAP Project Manager leading and coordinating.

 **Nepal:** Project concept developed as the ILO Component in the UN Joint Programme on Prevention and Elimination of Bonded Labour in Nepal

Climate Resilience and Sustainable Rehabilitation of “Freed Haliyas” through Innovative Climate Risk Transfermechanisms- “Integrated Financial Package”

A replication of the CCAP Philippines Risk TransferMechanisms

 **Bangladesh:** Stakeholders consultation ongoing for the development of Project Concept with focus in Agriculture and Fishery, with financial/risk transfer mechanisms customized and delivered to support enhancement of production, diversification of livelihoods, better access to necessities including solar power, protection of lives and properties as well as risk reduction through establishment of natural buffers and small rural infrastructures.

Join the Green Jobs Network !
<http://agreenjobs.ilo.org>

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Photos by: Banawe B Corvera, Freed Gonzaga, Joni Sacote (August 2012)

The CCAP in Agusan del Norte – “Climate Resilient Farming Communities Through Risk Transfer Mechanisms” -is a demonstration project under Outcome 3 of the Spanish government-funded Millennium Development Goal Achievement Fund (MDG-F 1656) Joint Programme: “Strengthening the Philippines’ Institutional Capacity to Adapt to Climate Change.”

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.

Check out the ILO Website.

More CCAP KM Products: CCAP Videos on Risk Transfer Mechanisms:

Changing Climate, Changing Lives
ISBN-978-92-2-025826-2

Taking on the Risks, Adapting to Climate Change
ISBN-978-92-2-025822-4

Preparing for and Transferring Risks
ISBN-978-92-2-025825-5

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