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Effective Policies for Promoting Agriculture Climate Insurance to Increase Resilience in ASEAN

An ASEAN-CRN Knowledge Exchange Event
August 16-18, 2016 | Hotel Majestic, Ho Chi Minh City, Vietnam

BACKGROUND

The **ASEAN Climate Resilience Network (ASEAN-CRN)** Knowledge Exchange Event on Effective Policies for Promoting Agriculture Climate Insurance to Increase Resilience in ASEAN was conducted on August 16-18, 2016 in Ho Chi Minh City, Vietnam. The event brought together representatives from ASEAN Ministries of Agriculture (MOA), Ministries of Finance (MOF) and government institutions working on climate change, private sector, development partners, non-government organizations and the academe involved in agricultural insurance and climate resilience, where they exchange experiences and knowledge on viable, pro-poor, gender sensitive and climate-responsive agriculture insurance solutions. They also discussed collaboration in the fields of regional policies and capacity building to improve farmers' access to such insurance products. The event is organized by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, through the Forestry and Climate Change (FORCC) project of the ASEAN-German Programme on Response to Climate Change (GAP-CC), with support from the United Nations Food and Agriculture Office (FAO), the Stockholm Environment Institute (SEI), and the Geodata for Crop Insurance in Indonesia (G4INDO) Project.

The ASEAN-CRN is established to ensure that ASEAN Member

KEY RESULTS

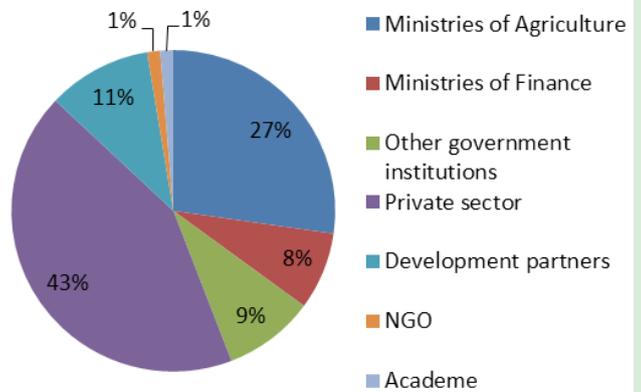
A. Sharing of Insurance Schemes

■ National Schemes and Policies in AMS

The AMS implementing national agriculture insurance programs in their respective countries have a common goal – that is to ensure food security and agriculture resilience while at the same time protecting farmers from the adverse impacts of climate change and other natural disasters to increase their income and sustain their livelihoods. The Philippines, Thailand and Vietnam have long established their national agri-insurance schemes during 1970s-80s. Indonesia on the other hand has just recently implemented their pilot in 2012, gradually increasing its coverage in terms of farmers protected and areas covered. Cambodia has yet to have a national agri-insurance program but it has already launched a small pilot in 2014 implemented by a civil service organization with funding from a Dutch NGO.

From the government side, MOAs and MOFs implement the

Breakdown of Participants



States (AMS) are in a better position to adapt their agricultural sector to climate change and optimize its mitigation potential.

national agri-insurance schemes in strong partnership with the private sector (insurers/re-insurers). Aside from this public-private partnership (PPP), farmer groups/cooperatives, banks/lenders and other government line agencies involved in agriculture are actively participating in the national scheme.

In terms of products, most of the AMS implement indemnity-based insurance covering risks such as drought, flood, and pests and diseases, among many others. Insurance products are not just limited to rice, corn, and other high-value crops but also aquaculture and livestock (PH and VN). Vietnam, on the other hand, implements both indemnity- and index-based insurance schemes. The governments shoulder most of the premium, averaging 55-80%; while the farmers pay the rest. Although in the Philippines and Vietnam, a 100% government subsidy on the premium is given to farmers who are among the poorest of the poor. Farmers in these AMS voluntarily avail of the agri-insurance products, with the exception of Thailand, which is partly-mandatory.

Overall, agri-insurance has been widely accepted and adopted by farmers in these AMS, and an increase in insurance protection



of agricultural crops is being demanded by the farmers not only because of the subsidies provided by the government but also because of an array of comprehensive insurance products available that match actual farm conditions. The ease of systems and processes (use of automated systems and mobile phones), and increased linkage with other credit schemes and services are also some of the factors to its continued patronage. However, challenges in the implementation still remain such as the need for an intensive communication, awareness-raising, and socialization among farmers on the concept of agri-insurance; a sophisticated database system on yield and climate data; better loss assessment and indemnity valuation methods; more advanced automated business systems; and improved risk capacity for some local insurers.

■ Private Sector Perspectives

The private sector has been a very active player in the implementation of the national agriculture insurance schemes and pilot programs of the member states. Results of the session showed that the private sector insurers have been involved in these programs for about three to five years, and in close partnership with the government. Lines of business include crops, livestock and aquaculture covering risks such as natural calamities, pests and diseases, and for one, cost of re-transplanting. Aside from offering these insurance products, the private sector is also involved socializing and training farmers, for instance, in loss assessment negotiations using local language and wisdom as well as educating them on agri-insurance by utilizing laymen's terminologies and visuals. Commune leaders are also being actively engaged by the private sector in the distribution and farmer registrations to expand operation.

The business case of the private sector in its involvement in a government insurance scheme is the real need for agri-insurance services due to its growing market, increasing client base, and potential for long-term profit. Apart from these, the private sector also feels a deep sense of pride and honor in being able to be actively involved in a government program and contribute



B. Areas for Regional Collaboration

The participants proposed a creation of a regional coordinating body that will address issues and concerns on Agri-Insurance to further its uptake in ASEAN. Knowledge exchange and capacity building as well as the development of a regional database and

to the overall national economic and agricultural development of their respective countries. It has been noted that in ensuring the sustainability of these programs, there is a need to build an ecosystem where everyone benefits.

Part of the programs' successes is a result of the active participation of the government and other relevant stakeholders. Still, on the private sector side, there is a need to improve the existing schemes. Some of the challenges mentioned include commercializing and localizing insurance terms and premiums depending on the region, investing in human resource and other systems processes in handling registration, and improving compliance and claim procedures. A uniform reporting format and sound data management system is also deemed essential. There is also a need to further train farmers on financial literacy to increase their willingness to pay despite the government subsidies. Quick transactions and processes will make the schemes more effective and efficient, thus the use of technologies such as remote sensing and satellite imaging for loss and yield assessment, as well as banking and mobile modes for other operation procedures, will be very useful. In the near future, the private sector, aside from Vietnam, hope to also provide index-based insurance services to lower their operational costs.

■ Levering Technologies

Several technologies are already in place in the national agri-insurance schemes of the AMS, mostly developed and funded by collaborating development partners and research institutions to support member states' operations. Satellite imaging and remote sensing are the most common technologies used in agri-insurance to assess crop growth, loss and yields, as well as identify extreme weather patterns, which are very beneficial to both the insurers and the insured. Data from these technologies are produced and transformed into maps and figures for monitoring and assessment of losses and payments without requiring an actual visit to the farm sites for more efficiency. Maps and figures can be projected at the commune level up to the national level. Another kind of technology is a farmer information system that records Global Positioning System (GPS) risks and hotspots data on the ground and then uploaded through a server, which can be accessed anywhere via a mobile application. These technologies provide quick and reliable data that result to a more effective and efficient program implementation both on the PPP's and farmers' sides.

Among the foreseen challenges is the cost of acquiring data and setting up these technologies with governments and insurers as the major users. Another is the possibility of an error margin, which exists in all kinds of technologies. One way to address this is to complement technology with field visits and measurements which are needed to calibrate the technology and improve results overtime to come up with better loss assessments.

early warning system (EWS) technologies are also being proposed. These will serve as a basis in the development of a regional guide that will facilitate the introduction or the improvement of national agricultural insurance schemes in ASEAN.

Regional / multi-country collaborative activities suggested by AMS

CA	ID	LA	MM	PH	TH	VN
Local institutional capacity building	<p>AIC's formation of a working group / task force specialised in agriculture insurance</p> <p>Development of a joint database system for agriculture insurance (premium, loss, meteorological data, etc.), a joint proposal on the development of agriculture insurance products among implementing countries, and an EWS system in ASEAN countries</p> <p>Benchmarking, training and experience/ knowledge exchange</p> <p>Setting up of a financial inclusion mechanism to control high transaction and administration cost</p> <p>Promote success story of India in accessing the Green Climate Fund to promote and support climate issues in Indonesia</p> <p>Mitigate market (price) fluctuation at the policy level; warehouse receipt as credit collateral</p>	<p>Advice on the establishment of a national agri-insurance program</p> <p>Provision for and exchange of capacity building, basic infrastructure, human resources techniques</p>	-	<p>Creation of a coordinating body to address agri insurance in ASEAN</p> <p>Exchange of technologies and expertise</p> <p>Group effort to solicit funds from development partners</p>	<p>ASEAN harmonized database system development for agri-insurance; EWS for agri-insurance</p> <p>Develop data collection for index-based insurance</p> <p>Climate insurance (system) for slow-onset events</p>	<p>Exchange of data and experiences</p> <p>Capacity building</p> <p>Pilot index insurance</p>

Aside from the identified regional/multi-country collaborative activities among all member states activities on the exchange of knowledge and experiences (e.g. study and exposure visits) between two member states have also been proposed by the respective country groups during the workshop, which is summarized in the table below.



AMS proponent of regional collaboration

	CA	ID	LA	MM	PH	TH	VN	
AMS offering expertise	CA	-		Good Agriculture Practices + insurance	-	-	-	
	ID	-	-	-	-	Sharing of experiences on livestock insurance	-	
	LA	-	-	-	-	Sharing of experiences on crop insurance	-	
	MM	Feasibility study on weather index insurance	Technology transfer of regional agricultural forecasting toolbox (CRAFT) Trainings on preparation of agricultural data for model inputs and calibration	Pilot project on Weather Index Crop Insurance	-	-	-	
	PH	-	-	-	Technological transfer for EWS; information sharing on natural disaster and extreme weather events among AMS	-	Knowledge sharing on Weather Index-based Insurance (WIBI) and Area-based Yield Index Insurance (ARBY) development	Techniques on reducing operational costs and expenses
	TH	-	-	-	-	-	-	
	VN	Remote sensing technologies, satellite imaging		Exchange of research and experiences on insurance schemes on risks such as pests & diseases and flood.	-	-	-	

C. AMS Action Plans to initiate or improve existing agriculture insurance schemes

The member states also proposed to develop a regional guide to facilitate the introduction or the improvement of the respective national agricultural insurance schemes in ASEAN in line with

the **10 Phases Guide in Developing a National Crop Insurance Program** developed by Ms. Laura Johnson Blair (G4INDO) as a guide. Below is the consolidated Action Plans by the AMS.

CA	ID	LA	MM	PH	TH	VN
Through financial support from development programs: 1. Conduct a feasibility study on rice insurance 2. Implement pilot project through PPP 3. Develop Agri-Insurance Policy Framework 4. Capacity building & regional knowledge exchange of all relevant stakeholders	10 Phases Guide has been done in Indonesia. How to maintain and improve agri-insurance scheme in Indonesia? 1. Improve technical & operational processes 2. Intensify coordination with stakeholders 3. Involve private insurance enterprises (give portion of premium as CSR activity) and further promote PPP	1. Inform agriculture/ crop insurance to the policy maker (MAF minister) for understanding and conceptualization 2. Develop national working group (agriculture, finance, private sector, MONDE) 3. Capacity building & regional knowledge exchange 4. Proposal development (including data collection, survey, site assessment, budgeting, setting-up agri-insurance system) and present to policy makers for approval 5. Implement pilot project	1. Continuation of ASEAN-CRN Agri-Insurance Workshop – conduct small meeting with MOA including all stakeholders (agriculture, livestock and irrigation) 2. Planning of pilot project –MoU engagement and solicit comments from various stakeholders 3. Implement pilot after six months implement (data collection, design insurance scheme, conduct 10 Phases Guide) Syngenta Foundation for Sustainable Agriculture as a knowledge partner and facilitator	1. Collaboration with countries with commercial application of WIBI + ARBY 2. Review the amount of coverage/ total sum insured: to increase the 20% of expected yield added to the cost of production inputs 3. Review the subsidy program: gradual reduction of 100% premium subsidy to smallholders upon improvement of their production/ livelihood/ income 4. Development of agricultural insurance products for meso and macro levels 5. Review reinsurance options for agricultural risks: e.g. quota share reinsurance scheme 6. Establish enabling environment to strengthen PPP; e.g. issuance of IRR for private sector agricultural insurance operation, continuous knowledge + info sharing with AMS + others 7. Seek technical assistance from international cooperating agencies to access funds from international donors for technical + operational supports	1. Revise the component of the National working group which is in charge of crop insurance policies to include national and sectoral development planning agencies, implementation agencies, financial institutions, and research funding agencies 2. Engage stakeholders along supply chains of agricultural products in sharing insurance cost (premium) – co-payment from farmers and entrepreneurs in the supply chain 3. Conduct studies on climate insurance feasibility and policy design 4. Revise law and regulations to enhance the crop insurance scheme 5. Increase collaborations among AMS to enhance crop insurance scheme in Thailand and strengthen regional crop insurance at regional level 6. Develop new product lines of climate insurance; i.e. climate insurance for downstream of agri-product supply chains 7. Capacity building in field implementation and farmers' participations 8. Integrate insurance into NAPs at both national and community levels to scale up the uses of climate insurance for agricultural development 9. Revise current crop insurance to cut across climate change issues	1. Suggest for the government to approve and deploy agri-insurance on commercial basic and government subsidy for poor and near poor farmers 2. Provide knowledge and technical training for farmers national wide 3. Evaluate agri-insurance demand among farmers (on-going) 4. Share and exchange knowledge with the PH on cash acquisition on agri-insurance and its implementation 5. Improve data and historical record to structure agri-insurance products 6. Strengthen PPP 7. Strengthen technical support for both ministry and farmer levels 8. Conduct fundraising activities to promote agri insurance