

State of Play of Risk Transfer Mechanisms for Small-Scale Farmers and Entrepreneurs

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Abstract

Extreme weather and slow onset events have direct and indirect impacts on agriculture, with risks to productivity and well-being of vulnerable agricultural communities. Building the resilience of the agricultural sector through adaptation interventions often face issues of effectivity, coverage, and timely delivery. This paper presents the scoping research for the Synergy Program in the Philippines of the Province of West Flanders, Belgium, composed of higher education institutions, cooperatives, and organizations, to explore the viability of weather index-based insurance (WII) as a way of addressing the sector's exposure to climate risks. Methods that include interviews, literature review, and a discussion forum provide a multi-perspective overview of WII and other types of agricultural insurance vis-à-vis their relevance and implementation. Overall, there is high agreement on the potential of WII as an effective and inclusive climate change adaptation mechanism, which is science-based and localized. The research's policy recommendations highlight the need for enabling mechanisms that promote multisectoral partnerships with access to accurate and localized data in identifying weather indices as basis for monitoring and payout schemes, along with mainstreaming insurance information and education among stakeholders to strengthen the market. Additionally, policy reforms to enhance the engagement of nongovernment insurance providers for a leveled playing field, promoting competition, and innovations to lower the premium rates are also recommended. The research also provided a cooperation platform to further discuss the best ways to develop agricultural risk transfer products and services that would allow farmers to develop amidst the challenges brought about by climate change.