



# Session 1.1: Overall lessons learned and direction to strengthen crop insurance in ASEAN

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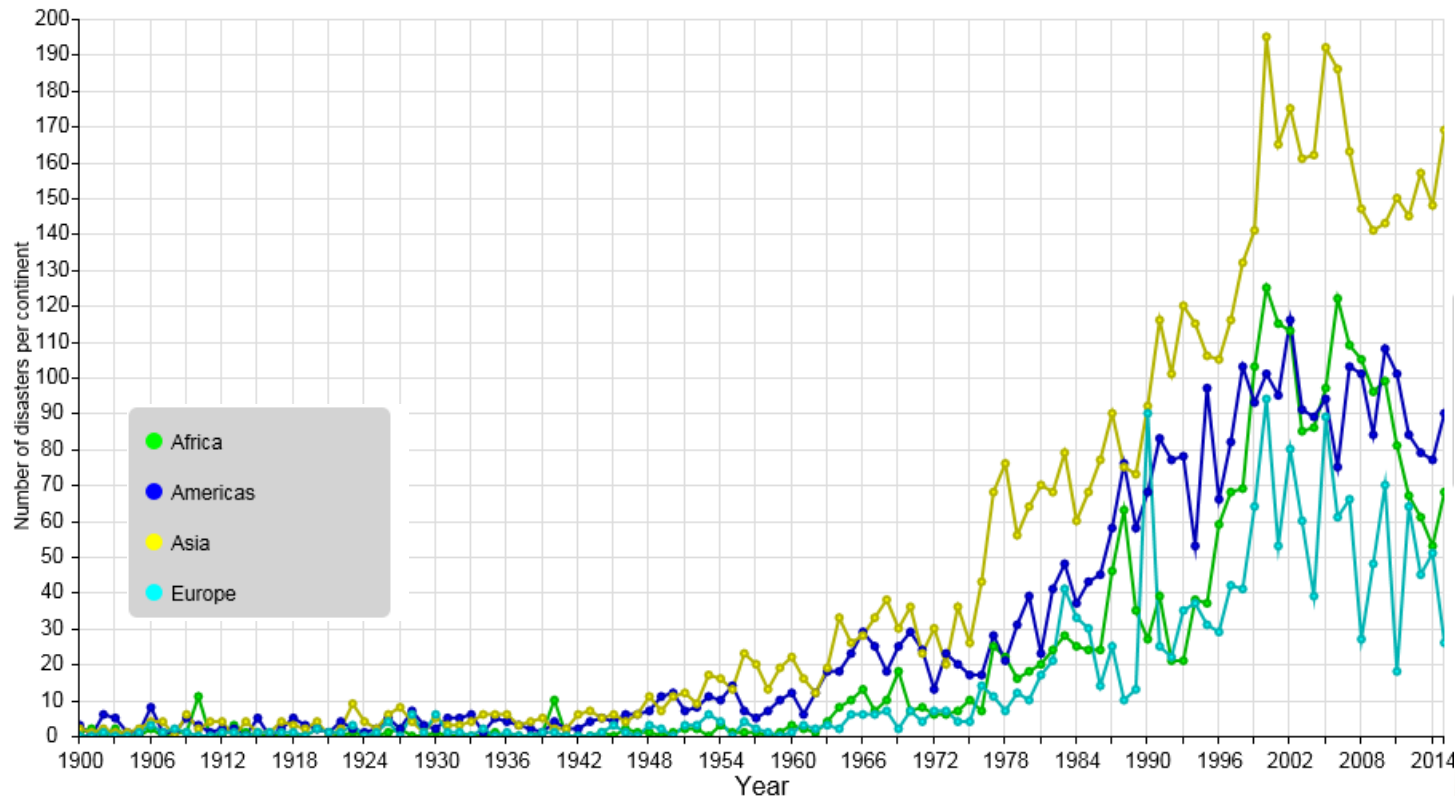
Policy Dialogue on Crop Insurance in ASEAN





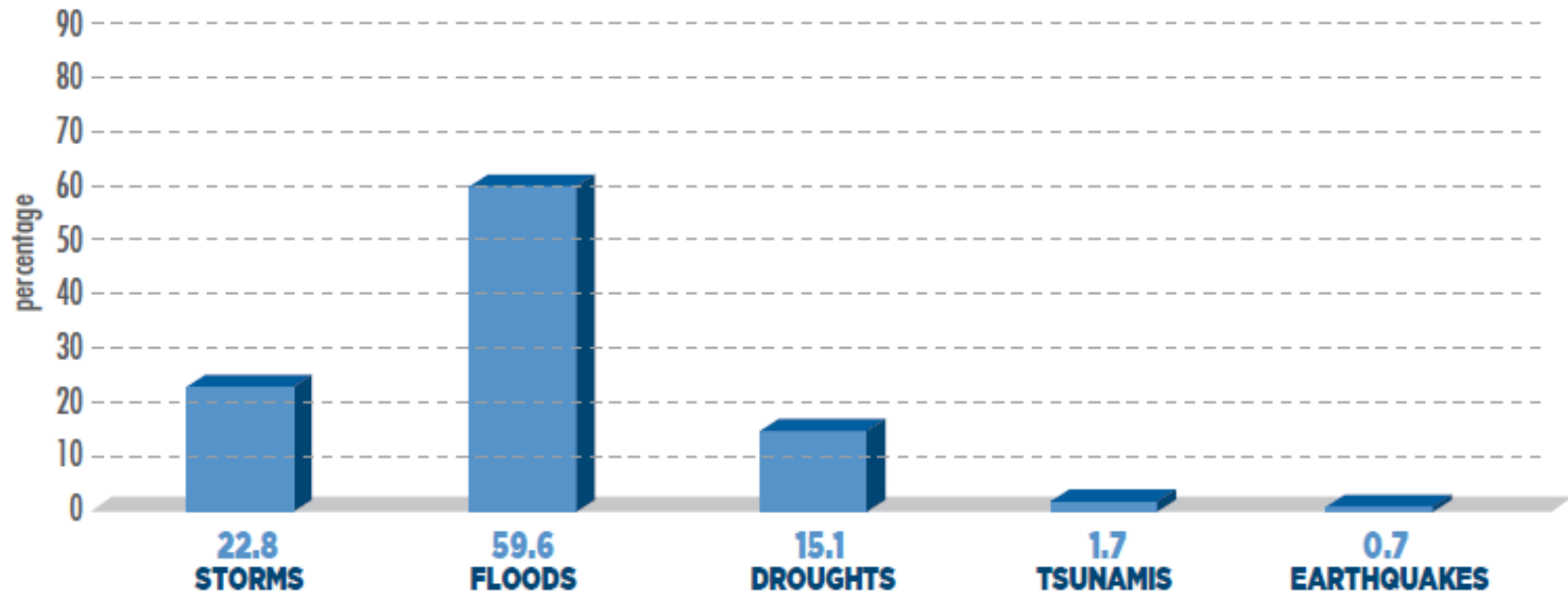
# Agriculture production is highly dependent on nature which is becoming increasingly unpredictable

Number of reported natural disasters between 1900 and 2015 per continent





## Crop subsector is the most affected by natural disasters – almost 60% of damages caused by floods



*Source: FAO based on data from post-disaster needs assessments, 2003–2013*



# Crop insurance is one instrument to transfer risks

## Risk Management in Agriculture

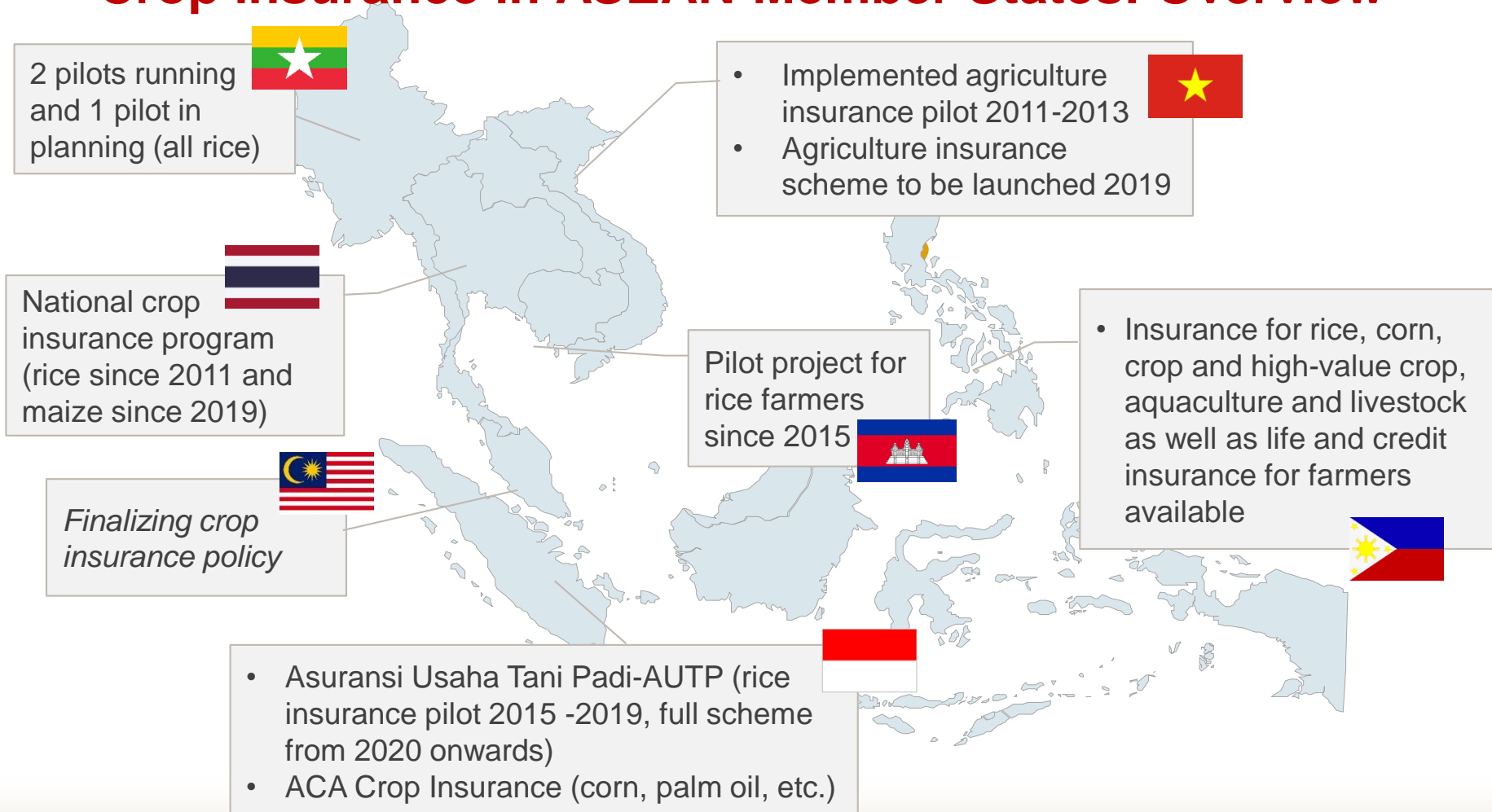
Risk Coping

Risk Transfer

Risk Mitigation

Risk Avoidance

## Crop insurance in ASEAN Member States: Overview





## Crop insurance in ASEAN Member States: Overview

- In 2 AMS larger crop schemes for small-scale farmers are currently running: Philippines and Thailand
- In **most AMS** crop insurance is still in an **early stage**:
  - Small number of insurers offering crop insurance
  - Need for further government support and financing of crop insurance scheme
  - Lack of supporting infrastructure: i.e. availability of data
  - Low interest from farmers to participate: trust? Value-added? Awareness?
- **Increasing interest in crop insurance** for small-scale farmers: from the public sector and private sector:
  - In 3 AMS **pilots are ongoing**: Cambodia, Myanmar (2 out of 3 pilots operational) and Indonesia (transition to full scheme from 2020 onwards)
  - In 3 AMS **introduction of pilots or national schemes are under preparation**: Malaysia, Myanmar and Vietnam (awaiting prime minister's approval for national scheme in 2019)



# Cambodia: Multi-Stakeholder Engagement

## Study Tour to India from 6th to 12th of August 2018

- 1) To help delegates from Cambodia better understanding on the policy and regulatory framework on crop insurance and the implementation procedure in PPP approach.
- 2) To obtain new ideas and incentives for the implementation of a crop insurance scheme and the institutionalization of RIICE technology in Cambodia.

## The multi stakeholder dialogue, 10 January 2019.

- The multi stakeholder dialogue was define as a tool to be organized after the study tour
- To raise awareness, clarify interlinkages and roles of the public actors/agencies as well as to discuss the coordination mechanism for the crop insurance implementation
- As a result, the draft recommendation paper “**Concept note: Developing a National Agricultural Insurance Program in Cambodia**” was developed to consult with MAFF for the crop insurance set up and mechanism in the country





## Inputs from the workshop/dialogue, the recommendations include:

- Policy objectives for a national agricultural insurance scheme;
- Farmer type to be targeted by agricultural insurance programs;
- Potential roles of the government in providing organizational and financial support to agricultural insurance;
- Institutional structure of the program;
- Organization patterns of the insurance market and insurance distribution models;
- Assessment of potential insurance approaches and products applicable

## Concept note: Developing a National Agricultural Insurance Program

- **Objectives:** *To help the government for necessary consideration and identification of the appropriate target group and of the crop sectors which the program should focus on are key decision steps.*
- **The concept note consists:** information of involved stakeholder, implementation mechanism or pattern, type of insurance product, institutional set up, legal framework, role of government, cost of subsidies and experience of PPP with clear indication of the vision, mission for the national agricultural insurance programme.





# Cambodia: Capacity Building on Crop Insurance



**Crop Insurance literacy for farmer** (In collaboration with MAFF, Forte and GIZ Bilateral project) resulting 400 participants in 2019)

**ToT on Crop Insurance: MAFF, NGOs, Private Sector**





# Vietnam – Legal Framework: Update on Implementation of the Decree 58/2018/NĐ-CP (as of May 2019)

## 1. Development official guidelines for implementation of Agriculture insurance:

- Guideline on Procedure for the announcement and validation of natural disasters for implementing the Agricultural Insurance
- Guidelines on Procedures for Technical regulations and standards on agriculture production which helps to facilitate the implementation of Agriculture insurance.
- Policies dialogue forum will be conducted on 29 May to create a dialogue forum for different insurance stakeholders (enterprises, MARD and the local governments) that help to have orientations, solutions, and unify which are needed to guide for implementation the Agriculture insurance program under the mandates of MARD (mentioned on the Decree No. 58/2018/ND-CP signed on 18/4/2018 by PM).



# Vietnam – Subsidy Policy: Update on Implementation of Decree 58/2018/NĐ-CP (as of May 2019)

## 2. Draft of the PM Decision on Subsidy policy for implementation of Agriculture insurance:

### a) Beneficiaries and subsidy for premium

- Poor and near poor farmers: 90% premium will be subsidized
- The Other: 20%

### b) Productions and provinces will be subsidized: 5 products:

- **Rice:** Thai Binh, Nam Dinh, Nghe An, Ha Tinh, Binh Thuan, AN Giang, and Dong Thap
- **Buffalo and Cow:** Ha Giang, Vinh Phuc, Ha Noi, Thanh Hoa, Nghe An, Binh Dinh, Dong Nai and Binh Duong
- **Black tiger shrimp, White-legged shrimp:** Ben Tre, Tra Vinh, Soc Trang, Bac Lieu and Ca Mau



# Vietnam – Subsidy Policy: Update on Implementation of Decree 58/2018/NĐ-CP (as of May 2019)

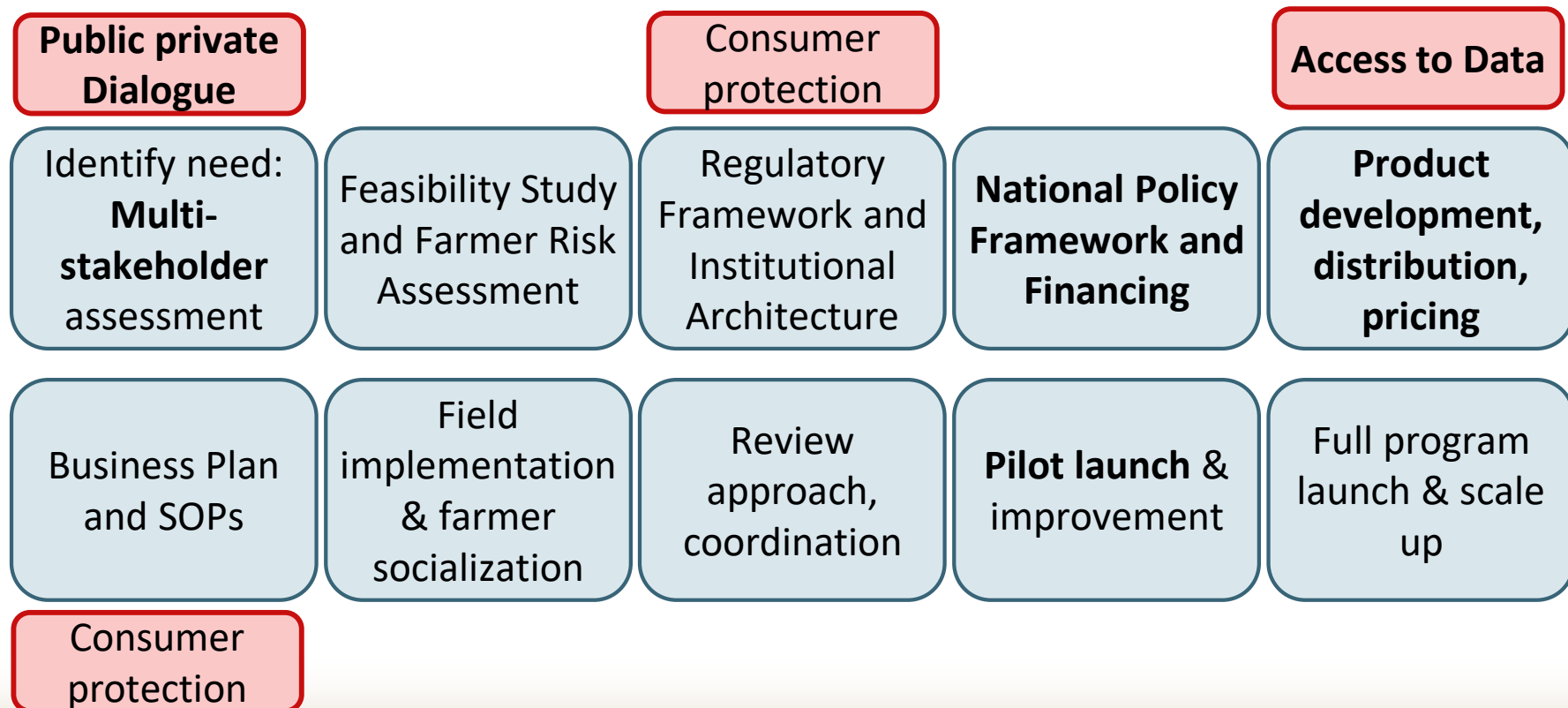
## 2. Draft of the PM Decision on Subsidy policy for implementation of Agriculture insurance: (Cont.)

### c) Risks to be covered:

- **Natural disasters:** Typhoon, tropical low pressure, whirlwind, lightning, heavy rain, flood, flooding, landslides caused by rain flood or flow, land subsidence by flood rain or flow, rising water, saline intrusion, hot sun, drought, hail, earthquake Tsunami. Natural disasters must be declared or certified by competent State authorities.
- **Pests and Diseases for rice crop:** Grassy stunt; rice ragged stunt; rice black streaked dwarf; brown plant hopper; rice blast disease; stem borer; rice leaf folder; bacteria blight disease;
- **Diseases for Buffalo and Cow:** food-mouth disease; anthrax disease

### d) Annual budget: 733 billion/year

# Developing a National Crop Insurance Program: 10 Phases and International Practices





## Multi-stakeholder engagement and PPP



- Multi-stakeholder engagement and **PPP framework** create viable business models and the ability to scale up
- **Dialogue Platform** enables coordinated stakeholder engagement, alignment of interests and expectation management
- Typical roles of the **public sector**
  - Creating a conducive **policy framework** and an **enabling legal & regulatory framework** for insurance companies to operate in
  - Providing access to public goods: data, **farmer insurance literacy/awareness** and possibly premium subsidies
- And **private sector**: Product development, marketing and product distribution, efficient operation, i.e.:
  - Bundled products in contract farming, or agriculture loans





## Policies, legal and regulatory framework

- For crop insurance scheme to operate at scale a **clear policy objective**, **institutional** and **legal framework** is needed
- CI is viewed by representatives of AMS as an instrument of **disaster risk management** and a **government support measure to farmers**
  - CI is one **risk management instrument** and should go hand in hand with damage prevention
  - CI to be integrated in **crop sector policy, agriculture extension programs** and value chain development
  - CI can support **investments** if bundled with **agriculture loans**
- Requires strong **political commitment**, including **budget allocation** and clarity on how crop insurance relates to **other support measures**
- Identification of **target group** and **crop sectors** which the insurance program should focus on are key decision steps.





## Data collection, Information and ICT

- Need for **objective**, **reliable** and **evidence based** data that is available in a **timely manner** -> accredited data providers
- Data, information and ICT have multi-functions beyond serving the purpose of crop insurance
- Collection of and access to data requires **multi-agencies stakeholder collaboration**;
  - investments by the public sector in up-to-date infrastructure / technologies and regular data collection
  - incentivizing the private sector to provide services: development and application of ICT -> guidelines on data information and use of ICT, data sharing among gov't agencies
- Kind reminder: **ICT is a tool, not a goal itself**



## Piloting and Upscaling

- Pilot provides a **proof of concept**, **creates confidence** and **practical experiences** within a dedicated Monitoring and Evaluation framework to learn and fine-tuning insurance programs that are most appropriate to their environment: different **product**, data collection methodologies, operational **processes** and **responsibilities**
- **Premium subsidies** have a significant impact on the scaling up and can be beneficial in the start-up/pilot phase – however, for long-term sustainability **cost-sharing business models** are required as insurance programs are also **expensive** and have parallel effects that should be considered. Premium subsidies should be introduced upon careful consideration of the strategic policy objectives of the entire agricultural sector and of the **value of potential alternative uses** of such resources.
- Success of insurance scheme depends on **penetration rate**



## Summary and Guidance

During the last two years crop insurance has further developed in **ASEAN member states**, i.e. Cambodia, Indonesia, Myanmar, Thailand, Vietnam:

- **Preference for public private partnership** set-up and close dialogue – identify appropriate set-up for your country
- **Legal framework** providing legal basis for insurers to operate – revise and strengthen
- Provide clear **subsidy policy** considering target group and crop sectors and quantify amount of public investments
- Improvements in **access to data**, i.e. using satellite data – support investments
- Range of insurance **products**: index and indemnity; bundling with **agriculture loans** – test different options
- Close collaboration with farmers and **socialization of crop insurance**