

# CLIMATE INVESTMENT FUNDS

December 29, 2016

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**[APPROVAL BY MAIL]: BOLIVIA: FINANCIAL MANAGEMENT OF CLIMATE CHANGE RISK  
THROUGH AGRICULTURE INSURANCE- (PPCR, PSSA) (IDB) (PPCRBO601A)**

**COMMENTS RECEIVED FROM THE UNITED KINGDOM**

Dear Mafalda

Apologies from the UK for not being able to make use of the online comments facility. We are experiencing some technical issues and hope to resolve the problem as soon as possible. In the meantime, please find below (old style) our comments with respect to the Bolivia PSSA proposal.

The UK welcome's this innovative loss layering approach which on the one hand reduces the exposure of the government to unsustainable pay-outs from severe and catastrophic weather events whilst also making agricultural insurance a more attractive proposition to insurers by taking on the catastrophic risk through the creation of a Stop-Loss Fund. Similarly to the comments from Germany, we would like to have clarity on the payment of premiums over time. At the moment it appears that government covers the cost. If the purpose of the layering is to bring costs of insurance (and therefore cost of premiums) down, and to ensure sustainability, then we might expect to see a gradual transfer of some/partial responsibility for the payment of premiums to farmers. Ability to cover own insurance premiums could be an indicator of improvement in agricultural efficiency/production. Is this envisaged and if so, how will it be achieved? Without it, will there be a disincentive to farmers to invest in climate smart agricultural improvements (see next point)?.

We note the reference to lessons learnt from other IDB supported initiatives in the region (1.22), that investment in climate smart agriculture is an important way to help farmers minimise their exposure to risk and one assumes, over time, to reduce the cost of premiums. There are references to linking this initiative to other IDB investments in climate smart agriculture, and to the overlap with geographical areas of PPCR project implementation, but it is not clear if and how the other initiatives will provide the technical support to subsistence farming families to do this. This seems particularly important amongst those families identified in para 1.4 that use "ancestral techniques" which rely on traditional agricultural calendars.

It would be helpful to have fuller details of how the SLF will "grow" to adequately cover catastrophic events, and replenish.

We note the important accompanying technical assistance package of \$US620,000 to strengthen capacities of key government and insurance institutions. We would be grateful for clarity on where this is being financed from. Is it from IDB (ref 1.32)?

Many thanks and best wishes for the season

Gaia

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