

CLIMATE INVESTMENT FUNDS

December 23, 2016

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

COMMENTS RECEIVED FROM GERMANY

<p>Comment 1</p>	<p>Germany highly appreciates the innovative approach to transfer part of the financial risk associated with the Pachamama Agriculture Insurance Program (PAIP) from the Bolivian Government to the insurance market by layering the loss coverage structure. Yet, even if the project successfully achieves a reduction in the Government’s maximum exposure to financial losses cause by extreme climate events, it does not seem certain that the PAIP will be financially sustainable as the Government still has to pay for all insurance premiums in the proposed new structure. Thus, we would appreciate a clarification if (limited) payments or in-kind contributions from private households for insurance coverage have also been considered when designing the project. In the same vein, it remains unclear if accompanying adaptation measures are planned in order to reduce the farmers’ risk of losses due to climate related extreme events. Examples such as the African Risk Capacity show that creating incentives for smallholder farmers to reduce their risk can be successfully integrated in climate risk insurance schemes. Thus, we recommend explaining how the project intends to reduce the farmers’ risk in the medium-term in addition to providing an agricultural insurance, thereby also fostering the financial sustainability of the PAIP itself.</p>
<p>Comment 2</p>	<p>The proposal states that “the project is in line with sub-activities of component 3 of the SPCR” (cover page, p. 1). Moreover, “[...] PAIP, through PIRWA, would provide insurance coverage against climate risks to those municipalities that are part of the public PPCR projects that are being implemented under the SPCR” (p. 9). However, no information is provided on the potential synergies between the proposed project and on-going public and private investments under the PPCR in Bolivia, which are apparently operating in the same municipalities. This seems to be particularly relevant in the case of the Inclusive Finance to Improve Climate Resilience of Bolivian Agricultural Producers as well as the Multipurpose Drinking Water and Irrigation Program for the Municipalities of Batallas, Pucarani and El Alto projects. We therefore kindly ask providing detailed information on the complementary and potential synergies of the proposed project with other on-going PPCR projects in Bolivia</p>
<p>Comment 3</p>	<p>Given the innovative approach of the proposed project, we see a high potential for knowledge sharing and learning. Germany is currently supporting the implementation of two projects in the region which also focus on agriculture and climate risk insurances (Integrated financial management of climate risks in the agricultural sector in Peru as well as Support to the resilience of vulnerable population in the Rural Area of East Paraguay). We recommend actively engaging with these two projects and exchanging the emerging lessons and good practices from the respective approaches.</p>