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# **An Instrument for Social Protection and Climate Change Adaptation?**

*The Politics of Implementing Agricultural  
Microinsurance in Bolivia*

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## Acronyms

<b>APS</b>	Autoridad de Fiscalización y Control de Pensiones y Seguros ( <i>Authority for financial control and the control of pensions and insurances</i> )
<b>AOSIS</b>	Alliance of Small Island States
<b>Bs</b>	Bolivian boliviano
<b>CSR</b>	Corporate Social Responsibility
<b>FSUCCT</b>	Federación Sindical Única de Comunidades Campesinas de Tarija ( <i>United Trade Union Federation of Peasant Communities, Tarija</i> )
<b>FTR</b>	Fondo de Transferencia de Riesgos ( <i>Risk Transfer Fund</i> )
<b>GDP</b>	Gross domestic product
<b>ILO</b>	International Labour Organization
<b>INSA</b>	Instituto Nacional del Seguro Agrario ( <i>National Agricultural Insurance Institute</i> )
<b>MAS</b>	Movimiento al Socialismo (Movement towards Socialism)
<b>MCII</b>	Munich Climate Insurance Initiative
<b>MFI</b>	Microfinance institution
<b>NAIS</b>	National Agriculture Insurance Scheme, India
<b>NGO</b>	Non-governmental organization
<b>PPP</b>	Public-private partnership
<b>Profin</b>	Fundación para el Desarrollo Productivo y Financiero ( <i>Foundation for Productive and Financial Development</i> )
<b>SDC</b>	Swiss Agency for Development and Cooperation
<b>Sedag Tarija</b>	Servicio Departamental Agropecuario Tarija ( <i>Departmental Service for Agriculture and Livestock Services, Tarija</i> )
<b>UN</b>	United Nations
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change

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## Abstract

In the last few years, the first microinsurance schemes for low-income peasants were introduced in Bolivia. Parts of the rural population have been able to insure crops like maize, potatoes or grapes. In Bolivia, as in other countries, a large range of actors participates in the promotion of microinsurance, including non-governmental organizations (NGOs), insurance and reinsurance firms, bilateral and multilateral public donors, and private donors. These actors see agricultural microinsurance and insurance as a mechanism that helps to deal with the implications of climate change and improves the social protection of the rural population, among other objectives. This paper explores the politics that are part of the creation and implementation of two agricultural microinsurance schemes in Tarija, a department in the south of Bolivia. It looks at the unfolding negotiations and contestations among public and private actors that participate in the creation and implementation process. These actors have diverging interests, norms and resources, and their relationships are marked by asymmetric power relations.

This exploration aims to contribute to a more comprehensive understanding of microinsurance, as the politics that relate to this mechanism are under-researched. Such an understanding is relevant to evaluating agricultural microinsurance's potential with regard to its proposed objectives. First of all, a look at the politics that play a role in the implementation of microinsurance helps to understand the development and impact of specific schemes. The negotiation processes among different actors result in specific project setups with far-reaching implications. This paper looks specifically at hybrid institutional setups, where public and private institutions share financial or implementation responsibilities. Many agricultural microinsurance schemes around the world rely on collaborations between public and private institutions. In Tarija, where departmental and municipal governments have few resources and where political processes are volatile, both public private-partnerships as well as public subsidies have been largely unsustainable. Furthermore, in the cases under consideration, the legitimacy of public support for agricultural microinsurance emerges as a specific concern. On the whole, current microinsurance practices produce contradictions that partly limit the feasibility of the mechanism with regard to social protection and climate change adaptation.

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# 1. Introduction

In 2011, a microinsurance scheme for the peasants of Tarija, a department in the South of Bolivia, was introduced. The maize and potato farmers of Tarija had, for the first time, been able to insure their crops, their lives and part of their belongings. This is the second agricultural microinsurance programme in Tarija, in addition to an ongoing scheme that covers hail-induced losses in grape production. Beyond this, Bolivia's national government is now working towards the creation of a comprehensive agricultural insurance system. Microinsurances are insurance products that are specifically designed for the low-income market. Like other insurances, microinsurances require a premium payment from those who want to access protection, at least a partial one (Churchill 2006:12).<sup>1</sup>

At the global scale, a transnational network of large insurance firms and other financial service providers, public and private donors,<sup>2</sup> non-governmental organizations (NGOs) and some government actors drives microinsurance promotion. This network has facilitated a fast proliferation process of microinsurance and has largely informed related debates. In Bolivia and many other developing countries, it has helped to introduce microinsurance with the purpose of improving social protection. In the case of agricultural schemes, microinsurance is also framed as an instrument of climate change adaptation.

Agricultural microinsurance products that are directly sold to peasants or their associations have seen a strong evolution over the last decade (Hazell et al. 2010). This has been possible due to technical innovations, which allow for the large-scale implementation of agricultural microinsurance at relatively low costs. Parts of the insurance industry and many donors now consider agricultural risks of small producers as insurable, although they admit that many challenges remain (Carter 2012; Hazell et al. 2010).

## ***Objectives of the paper***

This paper aims to shed light on a largely understudied aspect of the microinsurance boom, namely the politics that are part of the promotion and implementation of microinsurance. More concretely, it explores the political practices and negotiation processes that feed into the institutionalization of microinsurance schemes in the Bolivian department of Tarija. It draws attention to the specific interests, norms and resources of key institutions and actors, and highlights the relevance of asymmetric power relations. The paper aims to show that a thorough understanding of the politics that are part of the promotion and implementation of microinsurance is central to an assessment of the potential of microinsurance with regard to its central purposes, among which are social protection and climate change adaptation. The central question that the paper aims to answer is how exactly political practices and negotiation processes matter to the outcomes of agricultural microinsurance schemes.

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<sup>1</sup> While there are different definitions for microinsurance, usually the specific target group (the low-income population) is considered the most decisive element. In some cases, a price limit is fixed up to which insurance products can be considered microinsurance.

<sup>2</sup> The most prominent private donor engaged in the promotion of microinsurance is the Bill and Melinda Gates Foundation, which finances and studies pilot projects through the Microinsurance Innovation Facility (see below). I call the network that supports microinsurance promotion *transnational* rather than international, because actors beyond the nation state and international organizations play an important role in this network. This is explored below with more detail.

The focus on the politics behind microinsurance promotion and implementation raises general questions that go beyond technical challenges. In contrast, a major part of the current debate about microinsurance in general and agricultural microinsurance in particular addresses topics that seem more immediately relevant for its implementation. This includes optimal product design, measurable impact and technical innovations. Still, in the past few years, some social scientists have tried to establish a more comprehensive perspective with regard to microinsurance impacts and demand that goes beyond the focus of most practitioners. Looking at the interplay between microinsurance on the one hand and local social structures and other social protection strategies on the other, these authors show why the social effects of microinsurance schemes are highly complex.<sup>3</sup> In the following exploration, I take my cue from this perspective that positions the social, economic and political context of microinsurance projects as a crucial part of the analysis.

The Bolivian examples, which are at the centre of this research, draw particular attention to the ways in which politics matter if agricultural microinsurance is implemented as a hybrid policy approach that involves public as well as private institutions. Most agricultural microinsurance schemes do not only rely on private actors, such as insurance firms or not-for-profit organizations, but also public actors, which can be governments or donors. Their forms of cooperation range from formal public private partnerships (PPPs), where the responsibility for implementation is shared, to setups where public actors mainly provide subsidies. As I will show below, the strong role of public actors contrasts with the market ideology that is behind a major part of the microinsurance debate.

### ***Central propositions***

In Tarija, the microinsurance negotiation processes between public and private institutions and peasants result in specific project setups with far-reaching implications for their further development and impact. In both cases, the sustainability of hybrid project setups, which include private and public actors, is limited. A lack of resources and capacities on part of public institutions in Tarija and a volatile political situation put the feasibility and sustainability of PPPs and public subsidies into question. This finding adds a critical perspective to current debates about PPPs (Ramm 2011; Rohregger and Rompel 2010) and subsidies for microinsurance (Loster and Reinhard 2012; Skees et al. 2008). In this context, it is of some importance that microinsurance schemes in Tarija are strongly marked by local as well as global power asymmetries. The legitimacy of public (financial) support for agricultural microinsurance constitutes another concern. All in all, the feasibility of current microinsurance schemes with regard to social

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