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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

APS	Autoridad de Fiscalización y Control de Pensiones y Seguros *(Authority for financial control and the control of pensions and insurances)*
AOSIS	Alliance of Small Island States
Bs	Bolivian boliviano
CSR	Corporate Social Responsibility
FSUCCT	Federación Sindical Única de Comunidades Campesinas de Tarija *(United Trade Union Federation of Peasant Communities, Tarija)*
FTR	Fondo de Transferencia de Riesgos *(Risk Transfer Fund)*
GDP	Gross domestic product
ILO	International Labour Organization
INSA	Instituto Nacional del Seguro Agrario *(National Agricultural Insurance Institute)*
MAS	Movimiento al Socialismo (Movement towards Socialism)
MCII	Munich Climate Insurance Initiative
MFI	Microfinance institution
NAIS	National Agriculture Insurance Scheme, India
NGO	Non-governmental organization
PPP	Public-private partnership
Profin	Fundación para el Desarrollo Productivo y Financiero *(Foundation for Productive and Financial Development)*
SDC	Swiss Agency for Development and Cooperation
Sedag Tarija	Servicio Departamental Agropecuario Tarija *(Departmental Service for Agriculture and Livestock Services, Tarija)*
UN	United Nations
UNFCCC	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).[1]

At the global scale, a transnational network of large insurance firms and other financial service providers, public and private donors,[2] 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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[1] 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.

[2] 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.[3] 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 protection and climate change adaptation is limited in Tarija. Given the ubiquity of private-public cooperation projects in the field of microinsurance, this result is also of relevance beyond the specific cases under consideration.

Background

At the centre of this paper are agricultural microinsurance schemes that target individuals: small producers buy individual insurance cover directly from the provider. This approach is distinct both from schemes located at the meso level, which insure cooperatives or other associations (rather than individual peasants), and from schemes at the macro level that protect governments against catastrophic losses (Hazell et al. 2010; Loster and Reinhard 2012). Most pilots and schemes set up in the last decade belong to the category of direct microinsurance (Hazell et al. 2010).

[3] See Hintz 2010; Peterson 2012; Schulze 2010.

Technical innovation has enabled the proliferation of individual direct microinsurance against climate risks. New measurement techniques have facilitated the use of indexes, which lower the cost of direct insurance. In index insurance schemes, payouts depend on the measurement of an indicator that serves to estimate actual harvest losses in a specified geographical area. For example, insurance payouts may depend on rainfall levels beyond or below certain thresholds, which are measured at weather stations. In these schemes, it is not necessary to assess all individual damages. Moreover, insurance risks are lowered, most importantly, moral hazard.[4] Consequently, providing agricultural microinsurance has become less costly (Hazell et al. 2010). One of the two schemes considered in this working paper makes use of an index.

Individual direct microinsurance schemes currently use a prominent public policy approach, although many schemes remain in a pilot stage and have had limited success (Loster and Reinhard 2012). Among the problems that many of the schemes have been facing is limited demand. Some authors now advocate the further exploration of meso-level schemes which insure associations because they could easily produce a large number of insured (Loster and Reinhard 2012).

Several recent overview articles show how large the number of new agricultural microinsurance schemes has been in recent years.[5] Among the countries where agricultural microinsurance has been piloted or introduced are Bangladesh, Brazil, China, Ethiopia, India, Kenya, Malawi, Nicaragua, Peru, Thailand and Ukraine. India remains the largest market for agricultural microinsurance, where approximately 163 million low-income people had some form of microinsurance in 2009-2010 (Ruchismita and Churchill 2012).[6]

In Bolivia, agricultural microinsurance is a recent policy approach, which exists alongside attempts of the national government to set up a comprehensive agricultural insurance system. The agricultural sector continues to be an important source of employment in the country, but it also faces many problems. In 2011, agricultural production accounted for only 12 per cent of Bolivia's agricultural production, but around the same time 30 per cent of the workforce worked in this sector (CEPAL 2013). Poverty is highly concentrated in the countryside, although it has steadily fallen since 2004: in 2009, 62 per cent of the rural population was poor, and 43 per cent was considered as indigent (CEPAL 2013). The major part of Bolivian peasants are small and very small producers. The difficult conditions of production that they have been facing for a long time have been exacerbated by climate change in recent years. Bolivia is highly vulnerable to climate change: it is one of the poorest countries of Latin America, and while it has a very high biodiversity, its Andean glaciers are disappearing and there is extensive deforestation in the Amazonas (Oxfam 2009). Since the mid-1990s, the number of natural disasters has risen sharply in Bolivia (Oxfam 2009). Among the recurring disasters are droughts in the Chaco region (lowlands) and in parts of the Altiplano, and floods in the Amazonas region.

[4] Moral hazard might occur once individuals have purchased insurance: they might engage in activities that increase their risk exposure and which they would not undertake if they were not insured. Such a behaviour is problematic from the perspective of the insurer, because the actual risks of the insurees are higher than had been anticipated when the premium rates were established (Hellmuth et al. 2009).

[5] Hazell et al. 2010; Hellmuth et al. 2009; Roth and McCord 2008; Skees et al. 2008.

[6] In 2008-2009, India's largest agricultural microinsurance scheme, the National Agriculture Insurance Scheme (NAIS), which is subsidized by the national and by state governments, covered 19 million farmers. While this product is credit-linked, which means that peasants are obliged to insure themselves in order to take out a loan, many other schemes are voluntary.

This is the background against which the Bolivian government decided to create a national agricultural insurance scheme. The implementation of this scheme (which is not the focus of this paper) only started in 2012. Bolivia's new national constitution, adopted in 2009, stipulates that the government will contribute to the protection of agricultural production by introducing a norm on the creation of agricultural insurance (Article 406). In accordance with this, in June 2011, the central government decided to create "Seguro Agrario Universal Pachamama", a universal agricultural insurance (Law 144 of 2011). Peasants are an important clientele of the current Movimiento al Socialismo (MAS) government led by Evo Morales.

The private and government actors that promote microinsurance ascribe a range of objectives to agricultural insurance and microinsurance, with varying emphasis. Usually, its potential for the social protection of producers and its contribution to sustainable rural livelihoods is highlighted. The insurance payout is supposed to help producers to return to production after a disaster. Also, it is expected that insurance will unlock low-priced credits for the rural sector, which are currently not available due to high risks in agricultural production. It is hoped that better protection and better conditions of production will reduce forced migration from the countryside. Last but not least, microinsurance is expected to contribute to the nation's food security. Climate change has exacerbated the need for such a mechanism, leading to microinsurance also being discussed as a mechanism of climate change adaptation. However, most actors central to microinsurance promotion in Bolivia are aware of the fact that it is not a substitute for agricultural adaptation strategies. Finally, agricultural microinsurance or insurance schemes serve as an instrument of political legitimation for public institutions.

Methodology

I collected the empirical material used in this paper during field stays in Bolivia of seven months overall in 2010, 2011 and early 2013. I did multi-sited fieldwork, which consisted of participant observation in the context of various microinsurance schemes, expert and other interviews, and the analysis of written materials. Fieldwork included accompanying project activities in Tarija, and a stay of several weeks at the La Paz offices of Profin, which is a central actor in both projects explored in this paper. During fieldwork in Tarija, I attended meetings between the project institutions, market research and promotion events in the context of the microinsurance schemes, community meetings and other events. In addition, I spent time in peasant communities and conducted semi-structured interviews with grape, maize and potato producers in different parts of Tarija. The interviews covered perceptions of disasters and risks, social protection practices and perceptions of insurance. I evaluated my research material in several steps entwining data collection, analysis and the generation of hypothesis (Corbin and Strauss 1990).

Outline of the paper

Following this introduction, I first look at some central characteristics of current debates about microinsurance, which are mostly technical. I also explore why current debates do not pay attention to the politics that are a central part of the promotion of microinsurance and to the power relations and diverging interests that feed into them. I look at two specific case studies to show that politics deserves more attention. After introducing the local context of Tarija, I show how two different microinsurance PPPs have evolved. In both cases, the PPPs have encountered major obstacles. I then turn to the issue of microinsurance subsidies. While the Bolivian case mirrors the general dilemmas identified by the microinsurance literature, in practice subsidies prove to be

politically feasible only within strict limits. The following section of the paper positions these processes within the context of global climate change negotiations. Finally, the paper explores implications for the target groups of microinsurance in Bolivia, where a fragmented agricultural insurance system is evolving that currently caters to the needs of only a few peasants. In the conclusion, I summarize the main findings and develop some recommendations for the stakeholders of agricultural microinsurance schemes.

2. Microinsurance Debates: Some Central Features and the Epistemic Community Behind It

As microinsurance has emerged over the last decade or so, the debate about the topic has also evolved. Today, it is possible to identify a research mainstream which prioritizes particular research topics and embraces a specific research perspective. Political processes have generated little interest in that debate, and the political practices and concrete interactions that contribute to the institutionalization of microinsurance schemes around the world are particularly absent. However, these practices and negotiations, which are dependent on the specific interests, resources and norms of the actors involved, are important in order to understand the development of specific projects and of microinsurance more generally. This claim will be substantiated in later parts of the paper.

This section aims to account for the absence of politics from most publications about microinsurance. In order to do so, it turns to the actors behind the debate and their interests and ideas as expressed in their research. The potent transnational network that promotes the instrument around the world has a huge impact on the topics and tone of the microinsurance debate. While economists have shown some interest in microinsurance, few university researchers in the political and social sciences have started to pay attention to this still young instrument.[7] Apart from hinting at this research gap, this section shows that there are major contradictions between the ideology that microinsurance relies on and current microinsurance practices.

The dominant research perspective with regard to microinsurance is in general strongly informed by positivist approaches to science. It prioritizes quantitative research and research results that can be directly translated into practical recommendations, such as technical solutions. A good reference point with regard to mainstream microinsurance research are the Microinsurance Compendia (Churchill 2006; Churchill and Matul 2012), published by the Munich Re Foundation and the International Labour Organization (ILO).

The main strands of empirical and applied research about microinsurance have, among other topics, explored the measurability of impacts, demand, different product designs and many technical aspects.[8] In the field of agricultural microinsurance, different insurance models have been among the most popular research topics. Index insurance schemes are now being advocated as the most useful model, in spite of some general disadvantages, such as basis risk[9] (Hazell et al. 2010; Vargas Hill and Torero 2009).

[7] For some exceptions, see Hintz 2010; Schulze 2010; Sennholz 2009.

[8] Churchill 2006; Churchill and Matul 2012; Dercon et al. 2008.

[9] Basis risk is discussed as a general drawback of index insurance schemes: in index insurance schemes, the payout does not depend on the actual losses of individual farmers, but on the measurement of an index that indicates if there is a high probability for farmers in a specified region to incur major losses. For example, measurements at weather stations might indicate if rainfall levels are low; low rainfall

Another current research field are technological innovations, including the use of mobile technologies (Smith et al. 2012). Moreover, there is now some concern about how agricultural microinsurance could be made more attractive to low-income farmers (Carter 2012; Hellmuth et al. 2009).

In recent years, the debate led by the practitioners has started to include some policy-related themes. There is now some interest in subsidies and PPPs, which are both topics that are taken up below. Moreover, the possible role of microinsurance within social protection systems has started to receive more attention. For example, Deblon and Loewe (2012) advocate a systemic perspective on social protection and define different possible roles for microinsurance within social protection systems. The incorporation of that article into the Microinsurance Compendium (Churchill and Matul 2012) and some other statements (Hellmuth et al. 2009) indicate that political processes are starting to receive more attention.

Still, even when political issues are taken up by the mainstream literature, the perspective often remains technical and does not take actual political processes and contestations into account. This becomes very evident in a recent exploration of PPPs in the field of microinsurance that highlights how all stakeholders can profit and seeks to promote this setup (Ramm 2011).[10] It does not take notice of critical research which calls attention to possible challenges of PPPs (see below). An exception in this regard is Rohregger and Rompel's (2010) empirical exploration of microinsurance PPPs, which mentions possible conflicts of interest.

In order to account for the emergence of such a strong research mainstream, which is marked by a high degree of discursive coherence, it is helpful to look more closely at the actors behind it. This perspective reveals that a major part of the mainstream literature about microinsurance is authored by the same institutions that have some economic or other stakes in its proliferation.

The institutions that publish most about microinsurance form a knowledge-based professional network consisting of public and private actors, whose interests and activities are both political as well as economic in nature. The generation and proliferation of so-called best practices and relevant knowledge is a prominent part of the activities of this network. While some members have primarily political interests (for example, advancing social protection), other have mainly economic interests (profits). The network is transnational in the sense that the activities of the network cut across national boundaries.

The transnational actors behind microinsurance promotion constitute an epistemic community; that is, "a network of professionals with recognized expertise and competence in a particular domain and an authoritative claim to policy-relevant knowledge within that domain or issue-area" (Haas 1992:3). They share normative and principled beliefs, causal beliefs, and notions of validity, and they also have a common policy enterprise. This is not to overstate the consensus between microinsurance experts, and there are also contentious topics. Still, it is notable how important knowledge generation and related activities are to the workings of the transnational

levels would trigger a payout for all insured farmers in the affected region. Thus payouts may be proportionate to expected losses – but a single individual insured farmer's payout is not necessarily equivalent to his loss.

[10] In their exploration of the roles of public and private institutions in general catastrophe insurance, Dlugolecki and Hoeckstra (2006) also advocate PPPs. See also Akter et al. (2011).

microinsurance network, and that its approach to knowledge generation and political influence relies on shared principles.

Several major groups of institutions can be distinguished within the network. To begin with, multilateral institutions, public and private donors and diverse non-governmental organizations (NGOs) play an important role in the network. They usually promote microinsurance as a tool for improving social protection through a market-based mechanism. For some of these actors, microinsurance promotion is a continuation of prior activities in the microfinance industry, particularly in the field of microcredit. Beyond this, insurance and reinsurance firms are central for the development and promotion of microinsurance. They assume that social groups at the bottom of the pyramid (Prahalad 2005) might prove to be profitable consumer groups when it comes to insurance. Companies like Swiss Re, Munich Re and Allianz play a strong role with regard to microinsurance development (Allianz 2010; Swiss Re 2010). Finally, there are public actors from developing countries that participate in activities to promote microinsurance around the world. The strongest promoters of microinsurance at the transnational level are the insurance industry and bilateral and multilateral donors, which are also responsible for most publications.

In particular, two strong organizations of experts at the centre of the network lay claim to relevant knowledge: the Microinsurance Network and the Microinsurance Innovation Facility. The Microinsurance Network is an association of approximately 70 insurance firms, donors, NGOs and other institutions from the realm of microinsurance. The members form working groups on specific topics, and the network is responsible for a great deal of research on the subject. The Microinsurance Innovation Facility plays an important role: it finances pilot projects around the world and aims to generate and promote best practices with the help of these "laboratories". The facility is financed by the Bill and Melinda Gates Foundation and located at the ILO.

From the perspective of the institutions that form part of the epistemic community, the politics of the creation and implementation of microinsurance do certainly not seem very relevant at first sight. While donors are particularly interested in understanding if the (positive) impact of microinsurance on the target groups is measurable, insurance firms have been wondering if there is a business case for microinsurance (Koven and Zimmermann 2011). These objectives have also had a strong impact on academic research by economists, which is in many cases funded by donors or the insurance industry.

In addition to the mainstream perspective that marks a major part of the literature, some diverging approaches can be found. One strand of research that adopts a somewhat different perspective is concerned with climate change and disaster risk reduction. As has been stated elsewhere (Suarez and Linnerooth-Bayer 2011:31), microinsurance and disaster risk reduction have been the poles of two largely separate fields of discussion. Publications pertaining to the latter field stress that microinsurance should be considered part of a larger package of measures, including risk mitigation, and that it poses many challenges.[11] Insurance is generally regarded as a mechanism for climate change adaptation, but there is no international agreement on the exact role of insurance within adaptation programmes and the mode of financing (Dixit and McGray 2009). Some authors concerned with risk reduction have taken the conflictive nature of

[11] Schwank et al. 2010; World Bank and IDS 2011; Suarez and Linnerooth-Bayer 2011.

political processes into account insofar as they hint at the unresolved aspect of burden sharing when it comes to the costs of climate change adaptation (Dixit and McGray 2009; Sennholz 2009). This perspective remains however marginal to the mainstream debate about microinsurance.

In order to answer the question why there is widespread lack of interest in politics in the microinsurance debate, the ideology that microinsurance is based on is also instructive. Ideas of free choice and market creation play a prominent role in the microinsurance imagery, particularly in discussions about its purpose. As already mentioned, the impact of climate change and the notion that microinsurance will improve the social protection and lives of the rural population are among its central justifications (Loster and Reinhard 2012). It is usually argued that microinsurance does not only prevent disadvantaged groups from falling into poverty after adverse events, but that it also unlocks productive potentials: peasants are supposedly encouraged to invest in riskier but more productive activities, because they are insured against climate risks (Skees et al. 2008). Moreover, peasants often have improved access to credits due to insurance, which is hoped to result in higher productivity levels as well (Dercon et al. 2006; Hellmuth et al. 2009). In these ways, microinsurance is seen as instrumental to a more complete integration of peasants into agricultural markets.

Moreover, microinsurance promotion is an integral part of large-scale attempts to enable the provision of public goods through the creation of new markets (Schwank et al. 2010; Suarez and Linnerooth-Bayer 2011). It is assumed that the clients are to be enabled to choose the services and instruments which they prefer. Peterson (2012) rightly remarks that in this sense microinsurance is part of neoliberal strategies, although the analytical value of this categorization remains partial with regard to concrete microinsurance schemes.

If microinsurance is conceived as a "pure" market mechanism, at first sight the politics of microinsurance might not seem to merit a lot of attention. However, a look at the relationship between microinsurance practices and the underlying market ideology reveals general contradictions. While the microinsurance approach is based on the notion that the clients of welfare products should have a chance to chose between different microinsurance schemes, so that competition can unfold its beneficial impact (Schwank et al. 2010), this situation has not materialized so far. Widespread and strong competition between different suppliers seems only imaginable in a distant future, in particular in the area of agricultural microinsurance.

Moreover, microinsurance is very much based on a strong market ideology, but at the same time supporters of microinsurance expect that public institutions and donors actively support its introduction. According to this vision, the insurance industry can be expected to provide insurance products if framework conditions are good and investment costs "reasonably" low; and the state has the responsibility to cater for both.[12] Part of the expected role of the state is the creation of favourable legal frameworks and the implementation of beneficial agricultural policies, but also the provision of financial support, at least in the initial phase. As Hazell et al. (2010:53) remark:

> There is a first-mover problem: the high initial investment in research and development of index insurance products might not be recouped, given the ease with which competitors could copy products if they prove profitable. This

[12] For example Hazell et al. 2010; Loster and Reinhard 2012; Roth and McCord 2008.

> discourages many companies from making initial investments in new product development, especially in underdeveloped markets.

As an alternative, the authors suggest, international donors could take on some of these tasks (see also CGAP 2008).

This vision is largely in line with the actual development of most microinsurance projects. Some governments have made microinsurance part of their social protection strategies (Ruchismita and Churchill 2012), and various forms of PPPs have evolved. Where governments have been reluctant to do so, comprehensive donor engagement has usually been the key to the financial sustainability and overall feasibility of projects. In contrast to the notion that state institutions should play a strong role in the initial phase in order to withdraw thereafter, most schemes are not sustainable without constant financial support (Suarez and Linnerooth-Bayer 2011).

It even seems that hybrid setups, where private and public institutions share responsibility, and the partial implementation of market ideologies are integral parts of current microinsurance practices. There is also increasing recognition among microinsurance experts that the close relationship between public and private institutions in the field of microinsurance and the strong role of subsidies might not be merely transitory.[13] Rather than constituting a social protection mechanism beyond the state, microinsurance is often being implemented through multistakeholder projects, including public actors. This issue is taken up with more detail below (section 5).

It seems highly relevant for governments and donors that are summoned to (partly) finance microinsurance to understand the contradictory relationship between microinsurance ideology and microinsurance practices. The notion that microinsurance is a market mechanism that should be self-sustainable in the long run makes this policy attractive to some governments and donors. They might consider microinsurance an instrument to improve the social protection of their constituency or target groups without long-term financial commitments. However, this hope might not materialize.

To sum up, the interests of the transnational microinsurance network that produces most widely read publications on the topic have fostered research foci that exclude the politics behind microinsurance schemes. At the same time, the market ideology behind microinsurance seems to suggest that politics are marginal to this mechanism. However, the relationship between the microinsurance practices of these institutions and microinsurance ideology is highly contradictory. Unlike market ideology, microinsurance heavily depends on public support, and competitive microinsurance markets are a distant prospect in most parts of the world. As I will show below, empirical observations reveal conflicts of interest between public and private institutions, and bring up questions regarding the legitimacy of public subsidies. These aspects do not match with an optimistic and apolitical vision of microinsurance, which is embraced by major parts of the microinsurance industry.

In order to develop a different perspective, I build on the research of some authors who have recently strived for a more differentiated assessment of microinsurance impacts and demand. They have employed a holistic social science perspective that takes entanglements between microinsurance and local social, economic and political conditions into account. Most of these authors rely on specific case studies. Hintz

[13] This claim is based on personal conversations with microinsurance professionals in 2011 and 2012.

(2010) and Peterson (2012) focus on the interplay between microinsurance and other social protection strategies. Schulze (2010) has shown how local social structures impact on the demand for microinsurance in Mali. While these authors have explored social and economic structures in some depth, I focus on political processes that evolve during project implementation.

3. Protection against Hailstorm and Harvest Losses: The Recent Trajectory of Microinsurance in Tarija

> We are quite content that the [authorities] gave us a bit of fertilizer. Maybe it is not 100 per cent of what we have lost, but it is something. Also, it's neither the first nor the last [loss due to disasters]. Because now drought is already setting in. … Summing up everything, we recover less than 5 per cent [of our possible gains], but it is at least something.[14]

With these words Don Alberto, a member of the community of Chiriguayo in Tarija's highlands (Altiplano), addressed the regional authorities and the community members who attended the public delivery of some disaster relief in November 2011. Among the beneficiaries, the predominant perception was that the inputs for production delivered were disproportionately small in relation to the losses incurred, and that they came late. Still, the community took advantage of the fact that support was delivered at all.

Feelings of insecurity among peasants and limited capacities of government institutions with regard to post-disaster relief are among the important points of departure for the creation of microinsurance in Tarija. The interests, perceptions and resources of local actors and departmental politicians are crucial to an understanding of Tarija`s microinsurance schemes. The last section has shown that there is a strong transnational coalition behind microinsurance promotion. In Bolivia, it encounters strong local interest in the instrument. This section introduces the microinsurance schemes in Tarija, which serve as study cases, and the actors that have been central to their creation. This serves as a background for the two thematic sections (4-5) that look with more detail at the politics of microinsurance creation and implementation.

In the department of Tarija as in the rest of the country, agricultural insurance has gained prominence before the background of two widespread perceptions: that the future of agricultural production is imperilled and that the state has a duty to act on this situation. In all parts of Bolivia, high harvest losses due to weather conditions are a regular occurrence. The major risks vary from region to region, but drought, flooding, frost and hailstorms are the most prominent ones. [15] While there is no reliable data on the impact of climate change, peasants in many parts of the department as well as experts agree that climate patterns have been changing notably over the last decades (UNDP Bolivia 2011: 27-34). In this situation, peasants and major land owners have to different degrees started to adopt mitigation and adaptation strategies.

Beyond that, major parts of the population in Tarija and the rest of Bolivia demand that government institutions *have* to lend their support to the peasantry. This demand is

[14] Original wording: "Estamos un poco muy contentos [sic] de que nos dan un poco de fertilizante. Quizás no el 100 porciento que hemos perdido, pero es algo. También es ni la primera ni la última. Porque ahora ya viene la sequia. … Sumando esto no recuperamos el 5 porciento, pero por lo menos es un algo." (Public statement in the community of Chiriguayo, El Puente/Tarija, on 10 November 2012; translation by author.)

[15] For some data on the frequency of disasters and their impacts in Bolivia cf. www.preventionweb.net/english/countries/statistics/?cid=21 (accessed on 15 November 2012).

usually based on the notion that agricultural production is the basis for livelihood, and that it is indispensible for survival and development. This notion is not only embraced by the rural population, but is also central to official discourses and programmes. It is even embodied in constitutional law, for example, where it stipulates that the state will work towards the creation of agricultural insurance (Article 406). The national MAS government, which relies on peasants as an important voter group, has created various mechanisms in order to improve its support for agricultural production. Law 144 of 2011, which among other instruments created the national agricultural insurance ("Seguro Agrario Universal Pachamama") is an example for this approach. In Bolivia, agricultural insurance is expected to fulfill development purposes and disaster relief functions (Hazell et al. 2010) at the same time.

Figure 1: Map of Bolivia

Source: www.wikipedia.org

Agricultural insurance schemes abroad have an important model function for Bolivian peasants and policy makers. Tarija has strong economic and social ties with Argentina, where agricultural insurance schemes have been functioning for some time. A considerable part of Tarija's rural population migrates to Argentina to find work at some point in life, often temporarily (Grismon and Paz Soldán 2000). Many return migrants have experienced insurance as a key achievement that they would like to see replicated.

The prominence of the idea is mirrored by the fact that Tarija's peasants' federation, Federación Sindical Única de Comunidades Campesinas de Tarija (FSUCCT), adopted agricultural insurance early on as a political demand and in 2010 also incorporated it into its rural development plans. The Left-leaning federation looks back on a long history of political struggles, not only with other peasant federations, but also with the public authorities of Tarija, which used to be led by conservative politicians. After 2010, this political setup changed dramatically, when a governor aligned to the national MAS government under Evo Morales came into office. This reshuffle suddenly gave big prominence to the FSUCCT and its ideas on the departmental stage. Political actors

emerging from this organization have also helped to promote agricultural insurance on the national political scene.[16]

While the national agricultural insurance scheme might reach Tarija at a later stage, some microinsurance schemes have already been introduced in the department. The first two endeavours, which provide the cases for this study, have been a hailstorm microinsurance for winegrowers, called Fondo de Transferencia de Riesgos (FTR), and a harvest (plus life and goods) microinsurance for maize and potato growers, called VidaAgrícola. Non-governmental actors and international donors have been crucial to this process, while public actors have also participated in both projects. Profin (Fundación para el Desarrollo Productivo y Financiero), a La Paz–based foundation which evolved from a technical cooperation project of Swiss Agency for Development and Cooperation (SDC), has played a central role as facilitator of both schemes and as channel for donor money and knowhow. The foundation specializes in microfinance innovation projects and aims to establish itself as a primary Bolivian actor in the field of microinsurance.

FTR Uriondo: Hailstorm insurance for grape producers

Tarija's first microinsurance scheme was created for an agricultural sector that is rather specific and small: grape production. Over the last 20 years, grapes have become one of the most important cash crops in Tarija's central valley. A major part of the produce is being used for the production of wines and Singanis,[17] Bolivia's national spirit. The high economic, political and cultural priority that is ascribed to the sector constitutes the central background for the introduction of the microinsurance scheme.

Grapes require high and sustained levels of investment, but they also produce profits which by far exceed the returns that peasants can expect from other cash crops. Against this backdrop, many smallholders have moved into the sector in the last years. Indeed, the majority of winegrowers in Tarija are small producers, who cultivate less than 0.5 hectares of grapes.[18] The emergence of the grape, wine and *singani* sector has gone hand in hand with large-scale technical cooperation projects, and its further expansion has become a political priority. This development is sustained by the now common notion that wine is part of Tarija's regional identity.

In 2009, the FTR was inaugurated, which over the years has slowly evolved from an insurance-like project into an insurance scheme in the stricter sense of the term. It was initiated by the municipal government of Uriondo, where a major part of the vineyards is located. For the project, the municipality partnered with Profin, which has been largely responsible for insurance design and for operations, and another development organization that is funded by international donors (Fundación AUTAPO).

The FTR is based on a traditional harvest rather than an index insurance model, which means that payouts are based on individual assessments of harvest losses. They are designed to match lost investments (rather than lost income), in order to enable peasants

[16] For example, Luis Alfaro, former Secretary General of Tarija's FSUCCT, who was later elected member of the national parliament, was a central figure in the creation of the national law on the Seguro Agrario Universal Pachamama (2011).

[17] A clear alcoholic spirit distilled from white muscatel grapes.

[18] These and other data about agriculture in Tarija are derived from project documents of Profin and of FAUTAPO, another development organization that is engaged in agricultural development in Tarija.

to return to production after major losses.[19] At the same time, farmers retain some portion of the risk in order to create incentives for the application of responsible production techniques and therefore reduce moral hazard. The FTR has remained a small scheme with only some hundred insured farmers per year. Still, many actors consider it a successful pilot. It has also served as model for another grape microinsurance scheme, which has been initiated in the Cintis region, not far from Uriondo.

VidaAgrícola: Harvest, life and goods insurance for maize and potato producers

While the FTR only covers a small geographical area, the VidaAgrícola scheme, which was inaugurated at the end of 2011, addresses all potato and maize producers of the department. It emerged from the engagement of Profin and the departmental government of Tarija. In comparison with the FTR, this scheme is much more ambitious, and its implementation is also more complicated due to the large number of actors involved. Transnational actors have played a strong role in the scheme.

The VidaAgricola scheme combines harvest insurance for two important cash crops with life insurance for the insured person and another family member, and for goods. The harvest component of this bundled product is designed as area-yield index insurance: in order to find out if the insured are entitled to indemnity payments, in any given year the medium harvest is measured on a sample of fields within a geographical zone. If this measure falls under a certain percentage of the "normal" medium harvest, in this case 65 per cent, insured peasants within that zone receive indemnity payments. In this way, the harvest insurance has been designed to cover the investment costs of the crops.[20] Potato and maize are the two most important crops in Tarija in terms of cash cropping as well as subsistence production.

The history of the scheme goes back several years. Under prefect Mario Cossío (2006–2010) the departmental government of Tarija adopted a somewhat vague law on agricultural insurance (Law No. 3813, 31 December 2007). As the departmental government had no capacity with regard to agricultural insurance, it approved Profin's offer to develop a proposal. Together with two Bolivian insurance companies, Nacional Vida and Latina Seguros, Profin secured funding for the project from the Microinsurance Innovation Facility (cf. section 2) for a three year period (2010–2012).

The commercialization of VidaAgrícola started in December 2011, although it had been planned to begin the selling process several months earlier. Because of the delay, there was almost no time left for a real "education campaign" about the product, and given the agricultural cycle, it was only possible to market the product for one month until

[19] In the first year, FTR insurance cover for wine growers was sold at 540 Bs. ($75) or 820 Bs. ($114), with maximum payouts of 14,000 Bs. ($1951) and 22,500 Bs. ($3135) respectively. Different amounts could be insured, because the production costs of grapes vary according to the mode of production. Based on the experience of the first year, the FTR only offered one insurance option in the second year: a maximum payout of 17,000 Bs ($2369) per hectare was offered for a premium payment of 1000 Bs. ($139). In the third year, when a private insurance firm took over the product, it cost approx. 1400 Bs. ($197) for one hectare. All references to $ are to United States dollars.

[20] Insuring one hectare of maize cost 310 Bs. (approx. $42), with a maximum expected payout of 2,500 Bs. ($348). For the hectare of potatoes the costs and potential payouts were 620 Bs. ($84) and 6,000 Bs. ($836) respectively. The maximum payout matches the average production costs for one hectare of either crop.

mid-January 2012. Consequently, only 37 insurance policies were sold in the first year of the scheme, covering a total of 47 hectares.

4. Multiple Stakeholders and Public Private Partnerships: Unequal Relationships

The microinsurance schemes under consideration are interesting examples of multistakeholder projects that involve public as well as private actors. In this regard, the schemes are representative of current developments in the field of microinsurance: PPPs have become common, and institutions like the Microinsurance Network advocate them (Ramm 2011). This section looks at the politics that are integral to the creation and management of multistakeholder microinsurance projects in Tarija. It shows in particular that that the specific ways in which inequalities within PPPs are generated and sustained merit close attention. The findings that are summarized in this section confirm and add to several central propositions of the burgeoning literature on development PPPs. After a short introduction to the topic of microinsurance PPPs, this section shows which institutional setups have developed in Tarija and then turns more specifically to the politics of the VidaAgrícola scheme.

The last two decades have seen a proliferation of PPPs in developed as well as developing countries. While PPPs as a form of cooperation can be traced back many decades, public institutions are now more interested in these partnerships, and PPPs have become more institutionalized (Krumm and Mause 2009). This trend is also evident on the transnational stage, where a vast number of development PPPs have sprung up since the 1990s, often supported by the United Nations and its specialized agencies (Beisheim et al. 2008; Nelson 2002).[21] Recent debates about PPPs evolve around four broad topics, namely the reasons for their creation, their effectiveness, their legitimacy and their unintended effects (Schäferhoff et al. 2009).

Scholarly evaluations of PPPs have fostered diverging reactions that range from very optimistic advocacy to strong criticism. Critical evaluations have in many cases come from scholars who are concerned with the unintended effects of the partnerships (Bäckstrand 2006; Hoering 2003). As will be shown below, this strand of literature and parts of the governance literature are particularly instructive with regard to microinsurance PPPs. Taking up a definition proposed by political scientists, this paper conceptualizes PPPs as "continuous and relatively institutionalized…interactions between public and private actors that formally strive for the provision of collective goods, whereas private actors can be for-profit and/ or civil society organizations" (Schäferhoff et al. 2009:10).

In the field of microinsurance, multistakeholder projects are, inter alia, so common because different tasks, such as the design or administration of the scheme, the risk carrier function, financial responsibilities, or sales and claims management, can often not be covered by a single institution. At the same time, most of these tasks can be taken on by public and private institutions. As a consequence, different forms of PPPs have emerged (cf. Linnerooth-Bayer and Mechler 2007).

[21] In 1999, UN Secretary General Kofi Annan proposed the creation of the Global Compact, which is one of the best known international PPPs. He aimed to create a new dialogue forum about environmental and social standards including the UN, civil society organizations and the private sector. In subsequent years, various UN specialized agencies, including the World Health Organization (WHO) and the World Bank, have entered into a wide range of international PPPs (Nelson 2002).

If PPPs are differentiated according to the central actors (Ramm 2011), first of all, partnerships between a private institution, such as an insurance company, MFI or mutual insurance association on one side, and an international donor on the other side are common. For example, a large transnational insurer might partner with an international donor in order to assess an innovative approach (Rohregger and Rompel 2010). Beyond this, partnerships between a government institution within the respective country and a private actor, such as an NGO or insurance provider, have evolved (Ramm 2011:6), which is the case of the VidaAgrícola scheme.[22]

Interestingly, neither the microinsurance industry nor the microinsurance research mainstream has paid close attention to the challenges that the substantial body of PPP research has unearthed. They aim to promote this form of cooperation and assume a mostly uncritical stance (Ramm 2011; Ruchismitra and Churchill 2012).[23] Linnerooth-Bayer and Mechler (2007), who also advocate microinsurance PPPs, mention some technical and organizational challenges, such as reliable risk estimates and the potential crowding out of private offers, and mention that it is important to ensure good governance. The mostly optimistic approach of these authors contrasts with the potential governance problems that PPP research has unearthed. A major exception is Rohregger and Rompel's (2010) exploration of several microinsurance PPPs supported by German development cooperation, which calls attention to major organizational challenges and possible conflicts of interest. Here, I also take a more critical stance, which relates the research findings to parts of the PPP literature.

Defining responsibilities: The roles of public and private actors with regard to the FTR and the VidaAgrícola scheme

In Tarija, two different microinsurance PPP setups have been implemented. The FTR has functioned as an important reference point for the development of the VidaAgrícola PPP, and the case provides an interesting contrast.

The FTR was set up as a partnership between public and private institutions, which mainly took the form of formal delegation rather than joint implementation. Hence, it would only be considered as a PPP if a very broad definition of the term is applied (Elsig and Amalric 2008). In 2008, the municipal government of Uriondo and Profin decided that Profin had the responsibility for project implementation, while the financial responsibility for the scheme was shared. For the administration of the FTR, Profin set up a technical office in the municipality of Uriondo. The office cooperated closely with a local microfinance institution, which administered the payments of the peasants.

As far as the financial setup is concerned, in the first two years, the FTR operated without the backup of any insurance company. For reimbursements it relied on the premium payments of grape producers and on a fund that was mainly financed by

[22] Beyond this, a third PPP type can be identified that is related to, but goes beyond the first two PPP forms identified here: transnational networks of public and private stakeholders that focus on policy formulation and lobbying. A primary example is the Microinsurance Network, which aims "to promote the development and proliferation of good-value insurance services for low-income persons by providing a platform for information sharing and stakeholder coordination." (cf. website: www.microinsurancenetwork.org/, accessed on 15 November 2012)

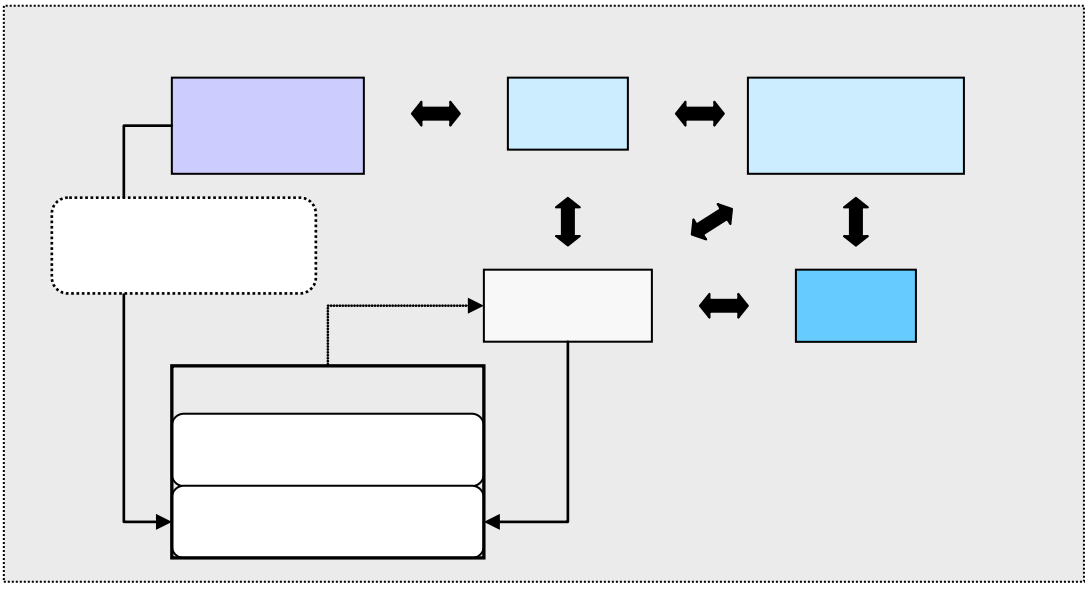
[23] Dlugolecki and Hoekstra (2006) take a similar stance when writing about public and private institutions in the field of catastrophe insurance. They advocate a specific public private partnership model, where the private sector provides insurance cover for lower risks plus consultancy and where public institutions cover high risks (catastrophic losses) and regulate insurance markets.

donors. Moreover, in the first year the premium payments were subsidized (60 per cent) by the municipal government of Uriondo. By subsidizing the premiums, the municipal government hoped to give a boost to grape production and to free itself from calls for public support after major disasters. Losses due to hailstorm occur almost on a yearly basis in the central valley, and farmers are not well prepared to deal with this situation. Any time a major damage occurs, farmers call on the public authorities to support them, which rarely happens.

In spite of Profin's formal responsibility for the implementation of the FTR, the municipal government has played an important role, particularly at the beginning. Not only were public events used to provide information about the project, but the municipality also supported the collection of information. The involvement of the municipality created trust in the FTR among potential customers, and it facilitated the work of the private institutions. The municipal government profited from the partnership, since the mayor could promote the FTR as one of his major achievements.

Since 2011, the insurance coverage has been offered with the backup of a major Bolivian insurance company. The resulting changes to the setup will not be explored here in detail.

Figure 2: Institutional setup and financial responsibilities: Fondo de Transferencia de Riesgos (FTR), first two years (2009-2010)



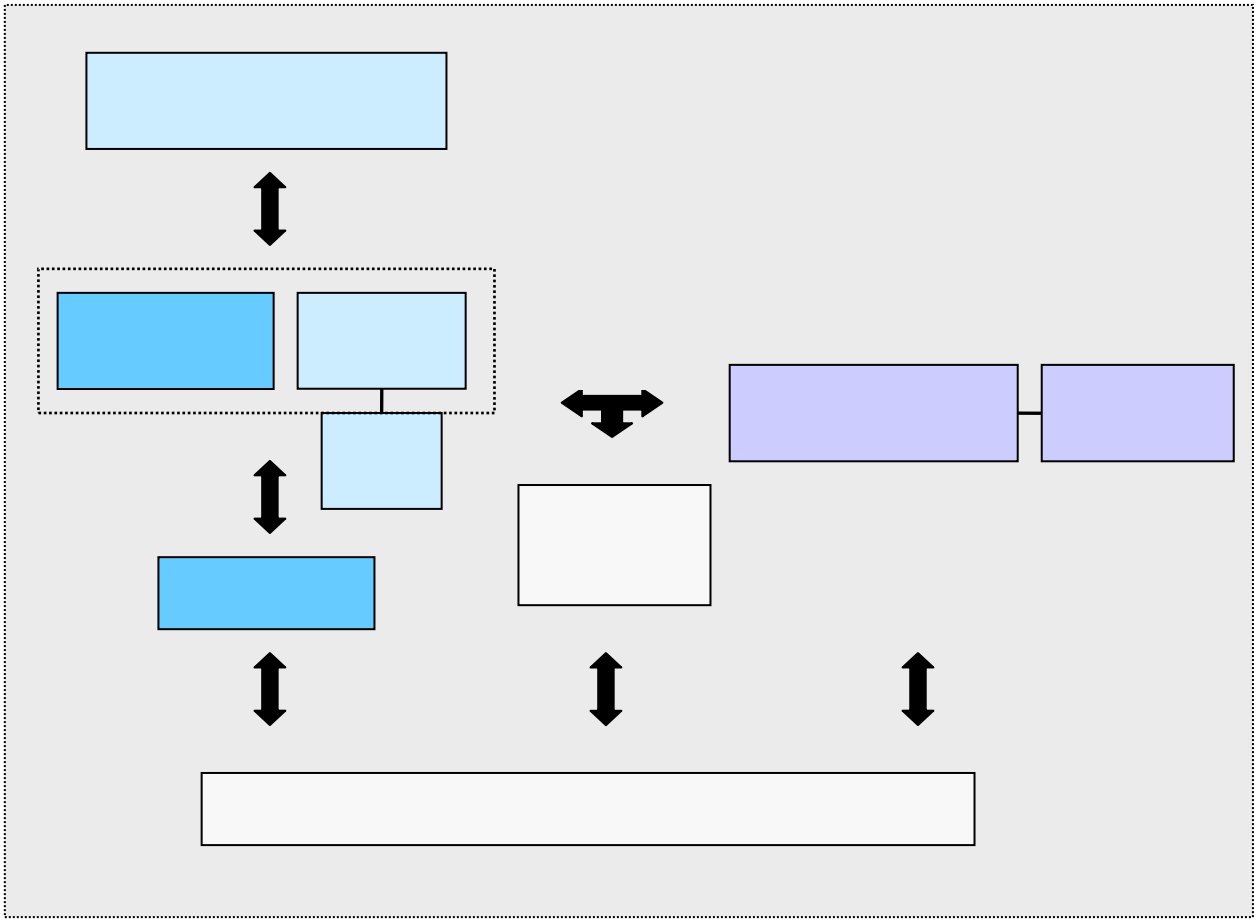
In contrast to the FTR, the VidaAgrícola scheme is a PPP in the strict sense of the term: public and private actors share responsibility for the implementation of the project. This approach has been challenging for the actors involved.

In the context of the VidaAgrícola scheme, Profin and two Bolivian insurers (Latina Seguros/Nacional Vida) partner with public actors within the department of Tarija. The Departmental Agro and Livestock Service called Sedag (Servicio Departamental Agropecuario) entered the partnership on behalf of the departmental government. The following division of work was agreed upon between the partners: Profin and the insurance firms were to be responsible for product design and project implementation. This included the commercialization of the product and the establishment of partnerships with microfinance institutions that work as selling channels. Sedag was

going to facilitate the contact with the farmers' representatives through their decentralized structure in the countryside, so the scheme could be explained to them. Moreover, the technical personal of Sedag in the countryside was going to support the evaluation of agricultural losses.

The emergence of the PPP in the context of the VidaAgrícola scheme can be explained with the respective interests of the actors involved (cf. Schäferhoff et al. 2009) and the larger normative framework (cf. Ruggie 2004). As far as the interests of the departmental government are concerned, agricultural microinsurance promises to free public institutions from demands for disaster relief. Moreover, Sedag, which entered the PPP on behalf of the departmental government, saw the VidaAgrícola project as a possibility to claim a success in a difficult institutional situation. Sedag has very limited resources, so it hoped to use the PPP in order to increase its leverage and influence.

Figure 3: Institutional setup: VidaAgrícola scheme, Department of Tarija, first year (2011/12)



At the same time, the private institutions—Profin and the insurers—regarded the involvement of public institution as indispensable for the success of the project, and this position was also embraced by the Microinsurance Innovation Facility, the main donor. They hoped that it would be easy to sell the insurance with the support of the departmental government and the FSUCCT. The government of Tarija that was in office at that time had very strong links with FSUCCT, which in turn is highly influential among the rural population.

The interest of the insurance firms in microinsurance is linked to their longer-term strategies. They aim to open new markets for their business in a country in which insurance penetration[24] is persistently low at between 2 and 3 per cent (Fitch Ratings 2010). Moreover, the representatives of Bolivian insurance companies are convinced that nowadays they are expected to offer microinsurance as part of their corporate social responsibility (CSR).

It is possible to draw up a preliminary balance sheet of the consequences that the PPP setup has had for the project. According to the two project partners, the PPP had two strengths. The first one was the accomplishment of product approval from the Autoridad de Fiscalización y Control de Pensiones y Seguros (APS), the supervisory body for the insurance sector in La Paz. It seems that without considerable political pressure by the departmental government and Sedag, the scheme would not have been approved in 2011. Another perceived strength of this PPP was its effect on the commercialization of insurance. Because of the partnership, the people charged with selling the product had direct access to the members of the FSUCCT, who are representatives of their villages. They had a chance to discuss the VidaAgrícola scheme at federation meetings that take place periodically. At the same time, Sedag and the departmental government were able to market the implementation of the VidaAgrícola scheme as a success of their administration. Even before the launch of the product, both Sedag and the FSUCCT appropriated the scheme by marketing it as "their" project.

At the same time, this PPP did not meet the expectations of the partners in some areas. First of all, Sedag and the union did not support the commercialization of the product as actively as Profin and the insurers had hoped. Another critique on part of Profin and the insurers was that Sedag did not fully assume the technical role that it was supposed to have with regard to the evaluations of harvest losses.

The actual record of the partnership was mixed rather than negative, and all partners derived some advantage from it. Still, the PPP was discontinued after the first year. Profin and Nacional Vida/Latina Seguros complained that the Sedag had failed to fulfill its operational tasks by not supporting the introduction of the product and the technical evaluations as actively as they had expected. At the same time, the leadership of Sedag was not sure if it would be a good idea to continue the cooperation.

Mistrust and low engagement: Vicissitudes of an unequal partnership in the Bolivian context

In order to fully account for the discontinuation of the partnership, it is necessary to turn to the structure of the relationship between the public and private institutions. It was marked by diverse asymmetries, which were related to the decision-making power, resources and expertise of the public and private institutions, and the symbolic and cultural capital of the concrete personnel involved. In the case of the VidaAgrícola project, these asymmetrical relationships have destabilized the PPP. This result adds to central findings of the governance literature regarding the success factors of PPPs (Beisheim et al. 2008). Since the role of asymmetrical relationships in PPPs has not received a lot of attention in microinsurance research, it will be explored with some detail here.

An important asymmetry among the public and private project partners consisted in their actual influence on decision-making processes, including the product design.

[24] Defined as the ratio of premium underwritten to gross domestic product (GDP) in any given year.

VidaAgricola is a strongly donor-driven project, and the design has been largely determined by not-for-profit organizations inside and outside of Bolivia. For the concrete design of the product, Profin and the insurers relied not only on technical studies, but also on the advice of the Microinsurance Innovation Facility, which has given guidance and has had some direct influence on important decisions. Public institutions in Tarija only got on board formally and took over some responsibilities when the product design was largely finished. The departmental government faced a "take it or leave it" decision when they were asked to enter the partnership, and Sedag was given a minor role within the project. Major decisions regarding the scheme were made outside of Tarija, either at headquarters in La Paz or abroad. The inclusiveness of decision-making processes, that is if all stakeholders participate in decision making, is an important aspect of the legitimacy of PPPs (Schäferhoff et al. 2009). In this case it was quite low.

The low level of influence on decision-making processes matched the limited scope of responsibilities and the low resource level of Sedag, which faces financial constraints as well as a low level of capacities among its personnel. In this sense, the limited influence on decision making might seem justified. As pointed out above, Sedag "only" promoted the product, and committed itself to support the evaluation of agricultural losses.

However, its limited influence was a major problem for the realization of the partnership, because many actors in the department of Tarija perceived the lack of equal participation in decision making as inadequate. Representatives of FSUCCT and other farmers said that, for example, they would have expected a participative planning process, given that the insurance had been a central demand of the federation for some time.

Expert knowledge and its usage played a central role in this conflict, as it does so often in development projects (Mosse and Lewis 2006). The VidaAgrícola scheme relies on a complex index insurance model including triggers. The personnel of the private institutions themselves acquired a major part of the relevant knowledge only in the process of developing the project. They found it very difficult to translate the technical details into an easy-to-understand language when they tried to explain it in the local context of Tarija. While they were keen to demonstrate the central project details to the departmental government of Tarija, Sedag and the FSUCCT, from their point of view the complexity of the project and the total absence of insurance expertise within these institutions legitimized their dominant position.

The unequal relationship between the project partners was not only evident in the division of work between the institutions. On a more immediate level, it played an important role during personal interactions, which Sedag and the federation perceived as highly problematic. Generally speaking, the representatives of the private institutions had both more symbolic as well as more cultural capital (Bourdieu and Wacquant 1992). While they usually had a middle-class background and hold university degrees, farmers organized in the FSUCCT had neither.

A conflictive situation mirroring long-standing social inequalities was evident, for example, when representatives of Sedag and the FSUCCT travelled to La Paz to discuss the project and formalize the partnership. As one member of Sedag remarked later, he had the impression that they were addressed condescendingly by people with a

university education, who were not able to talk in an understandable language. As he recalled, he told Profin and the insurer how to address the leader of the FSUCCT:

> You have to talk in the way the client wants you to talk to him. [At least] if you want to use marketing techniques …. I don't want you to speak in those very technical terms, don't come with your watch, at least not your Rolex; come with your local watch. And don't talk over the shoulder of Elvio [the representative of the FSUCCT]. You have to look into his eyes, even though he is small. Don't talk with this self-sufficiency of a professional who believes he is superior because he is a professional.[25]

In this situation, the representative of the Sedag, who had a higher education degree himself, acted to some degree as a development broker: as an intermediary between the project institutions and their potential beneficiaries (Bierschenk et al. 2002). Perceived inequalities also played a role in other interactions, and they influenced the overall perception of the project on part of the Sedag, the farmers and their FSUCCT representatives.

In this context it is important to note that the VidaAgrícola project developed in a political context that is characterized by political and social struggles. Tarija's peasants' federation (FSUCCT) and Sedag are among the institutions in the department that have been most vocal in the struggle against political exclusion. Its representatives are strongly inspired by Marxist ideology and would like to overcome the political dominance of the urban population and some powerful families that have marked the history of the department for a long time (cf. Lizárraga Araníbar and Vacaflores Rivero 2007). From their point of view, this struggle is linked to the reduction of social and economic inequalities and can only be achieved through an active involvement of the rural population. The creation of agricultural microinsurance schemes is part of this political programme.

As the VidaAgrícola project evolved, conflicts of interest between the private and public institutions became manifest. The FSUCCT and its political arm, Sedag, felt that the creation of agricultural microinsurance did not directly serve their emancipatory objectives. On the contrary, they did not participate on an equal footing in decision making, they did not have access to relevant expert knowledge, and they felt that personal interactions were potentially humiliating. In contrast, Profin and the insurers had been supporting the creation of the PPP in order to facilitate project implementation and had not expected these difficulties. They were not very sensitive to the specific perspective and motives of their Tarijan partners and were not able to meet their expectations. As this partnership mirrors central social and political conflicts that characterize Bolivan society, it would be wrong to believe that the considerable resource and power differences could have been easily bridged.

It is essential to note that several of these asymmetries are linked to the multilevel setup of the VidaAgrícola scheme. The practices at the different levels on which the project is developed follow diverging logics and relate to specific resources. As Gould (2004) put it, there can be some degree of incommensurability between different levels of

[25] "Hay que hablar como el cliente quiere que le hables. Si quieres poner las técnicas de marketing. … No quiero que hables con estos términos muy técnicos, no vengas con reloj, a menos con tu reloj Rolex, vente con reloj chapi. Y no hables así por encima del hombro de Elvio. Tienes que hablarle allí a los ojos, aunque sea chatito. No hables con esta autosuficiencia de técnico profesional que porque es profesional se cree mas" (Interview on 24 October 2011; translation by author).

development projects.[26] In the case of the VidaAgrícola project, the translation processes between the different realms was difficult.

In the end, the mistrust on part of Sedag and the FSUCCT was so big that it reduced the readiness for real engagement in the partnership. Together with their constrained resources, this was one of the central reasons for the low commitment of both institutions. Mistrust was also reflected by the suspicions voiced by the representatives of Sedag and FSUCCT in the course of project implementation. They were suggesting that Profin and the insurers might be more interested in securing the profitability of the insurance than in an advance for "their" farmers. While they had been willing to enter a PPP, a number of representatives perceived private institutions, above all the insurance industry, as profit-maximizing actors that pursue merely capitalist interests. After all, the relationship between public and private institutions is not always an easy one in a country where neoliberalism in its different guises is condemned by major parts of society.[27]

These insights suggest that the specific ways in which inequalities within partnerships are generated and sustained merit close attention. Not only are the interests and organizational cultures of the partners (Beisheim et al. 2008) highly relevant with regard to project implementation, but also the power relations that mark decision-making processes and concrete interactions. The VidaAgrícola case shows that unequal power relations can put the overall implementation of a partnership at risk.

Research has shown that unequal power relations between public and private partners in PPPs have had unintended outcomes also in other places. Miraftab (2004) demonstrates, for example, that unequal power relations can entail unintended project impacts: in South Africa, PPPs between local governments and private firms result in the privatization of public services, which serves the interest of the private firms but is to the disadvantage of the local communities.

The importance of power relations for the functioning of the partnership should not be overstated. The project also faced other obstacles that are very often encountered in microinsurance projects, including the challenge of generating trust in the insurance product among potential buyers. Moreover, most of the institutions involved also faced internal problems that hindered the evolution of the PPP, for example, the fluctuation of personnel and an ill-defined definition of responsibilities.

Still, it is to be expected that similar difficulties as in Tarija emerge in other microinsurance PPPs, if public institutions have low resources compared to private institutions and if the overall political juncture is volatile. In contexts like the Bolivian one, microinsurance PPPs might have limited potential unless specific attention is paid to inequalities and diverging interests. This analysis shows how crucial an understanding of power relations, the use of resources and the negotiation of interests is to the analysis of microinsurance. The concrete development of microinsurance schemes may largely depend on politics.

[26] At the same time, it would be wrong to consider the lifeworlds of local farmers, the departmental authorities and those of experts located in La Paz or abroad as different worlds of knowledge in the sense of bounded entities. Rossi (2006) elaborates this point very clearly.

[27] Barr 2005; Bottazi and Rist 2012; Goodale 2006.

5. Subsidies for Agricultural Microinsurance: Politically Feasible and Legitimate?

Subsidies are similar to PPPs in that they have recently been included in discussions about microinsurance. The recent debate focuses on the possible development impacts of agricultural microinsurance subsidies and discusses their desirability on this basis. It is less concerned with the political feasibility and sustainability of subsidies and their legitimacy. However, the overall potential of agricultural microinsurance also depends on these practical concerns.

Here, I turn first to the question under which circumstances subsidies have a chance to be adopted and sustained by political decision makers, that is, if they are politically feasible. I demonstrate, through the Tarijan examples, the limited feasibility of public subsidies at the subnational level. Politics play a decisive role in that regard. In the second and third parts of this section, I "zoom out" of the Bolivian context and draw attention to some far-reaching implications of the fact that microinsurance very often depends on public or donor subsidies. As point of departure, the following paragraphs summarize some of the central arguments in the current debate about microinsurance subsidies.

The advocates of premium subsidies usually argue that they increase the potential development impact of microinsurance schemes (Churchill and McCord 2012). Subsidies strongly influence the demand, as they directly determine the final price of the insurance. Therefore they play a role in structuring the group of persons that potentially buys insurance cover: high prices tend to exclude low-income groups (cf Dercon et al. 2008; Suarez and Linnerooth-Bayer 2011). It has also been argued that agricultural microinsurance products can be so costly that it would be irrational for farmers to buy them if they look at expected payouts (Clarke 2011).

In contrast to this, Skees et al. (2008) highlight that subsidies can create disincentives for climate change adaptation. As they explain, insurance prices send out signals regarding the risks associated with certain agricultural strategies: rising climate risks will be signalled by rising insurance premiums. According to this logic, premium subsidies will distort the signalling function of the insurance price, and farmers will have no incentive to switch to less risky strategies.

Skees et al. (2008) do not condemn subsidies altogether, but urge for their careful construction. In a similar vein, Loster and Reinhard (2012) advocate "smart subsidies", which support administration and other expenses rather than risk-based pricing. Others (Hazell et al. 2010) in turn point out that other "safety net programmes" might create even more important unintended side effects.

To some degree, this is a theoretical discussion, since most agricultural microinsurance schemes depend, as already pointed out above, on heavy financial support, which is often provided by donors. In fact, most microinsurance schemes that have reached any major scale have relied on strong subsidies, including premium subsidies (Roth and McCord 2008). In the section about the preliminary results, I explore how these arguments apply in the Bolivian context. However, I first turn to some issues that lie outside of the focus of this debate, but seem equally relevant.

The political feasibility of subsidies at the subnational state level

A question, which receives little attention in the microinsurance debate, is if subsidies are politically feasible at all—that is, is there enough political support from important interest groups, will decision makers lend their support and does the normative framework allow for this? As microinsurance subsidies can be provided by bilateral donors, national governments, subnational governments and international institutions, the issue of political feasibility comes up at various levels. In Bolivia, not only the national government has funds that it could in principle use for micronisurance subsidies, but various subnational governments as well. A look at the politics that relate to microinsurance reveals why public subsidies for microinsurance are very difficult to establish and maintain at Bolivia's subnational state level.

In the case of the FTR, the municipal government provided considerable subsidies for some time, but this support depended very much on a specific mayor and his administration. Paul Castellanos, mayor of Uriondo until 2010, is strongly convinced of the great value of insurance, which he considers an investment into social solidarity that helps to prevent social conflicts. Moreover, he hoped that the FTR would reduce the pressure on the municipality to provide aid after major agricultural disasters. Because of this, Castellanos supported the idea to create microinsurance for grape producers, established the partnership with Profin, and introduced subsidies.

In contrast, his successor preferred to radically scale down financial support for the FTR. In Bolivia, as in many other parts of the world, politicians very often dismantle the projects of their predecessors in order to free funds for their own political objectives. In this way, election cycles have deep repercussions. In Uriondo, the new mayor also decided that subsidies were illegal.

The relevance of political cycles and ideas of individual politicians was also obvious in the case of the VidaAgrícola scheme. Originally, Profin and the insurers had hoped that the departmental government would provide subsidies for the scheme. This was agreed as part of the initial discussions with the departmental government of Mario Cossío Cortez (2006-2010). However, this government had been supplanted at the time of project implementation. Most members of the public administration believed that the then current legislation ruled out this possibility.[28]

Still, the new government advocated the PPP with its subsidiary body, Sedag. This was a concession to the peasants of Tarija, who are an important voter group. The local peasants' federation (FSUCCT) is well organized and had excellent relationships with the departmental government which came to power in 2011. At the same time, it is interesting to note that subsidies did not materialize although the overall political context was favourable and a number of important actors advocated this measure.

To sum up, the Tarijan examples show that subsidies might not be politically feasible and sustainable at the subnational level if the respective institutions have limited resources and political programmes are volatile. The case of the FTR demonstrates in particular the instability of subsidies, because they depend directly on politicians and administrations that might be voted out of office within relatively short time spans. This

[28] Subsidies could be seen as a form of direct financial transfer to the private sector, which is forbidden.

raises the question if subsidies provided by strong and stable government institutions, donors or maybe even private entities are more feasible.

The feasibility of subsidies beyond subnational state institutions

This section partly leaves the local context for some more general observations regarding the sustainability of agricultural microinsurance subsidies. Since microinsurance is part of international climate change negotiations, more financial support might be provided in the future. For this and other reasons, outside of Tarija agricultural microinsurance subsidies might be more sustainable.

Two prominent examples for subsidized schemes, which are often discussed in the microinsurance literature, illustrate the role of donor and state funds in various parts of the world. In India, for example, the microfinance NGO BASIX and the insurance company ICI Lombard offer rainfall index insurance—which is credit-linked—to farmers. While the World Bank supported its introduction in 2003, the government later started to subsidize the premium payments; this has largely enhanced the take-up among farmers. In 2009, 250,000 farmers were enrolled in the scheme (Gehrke 2011; Loster and Reinhard 2012). In contrast, in Ethiopia, agricultural microinsurance premiums have been largely subsidized by donors. The drought microinsurance is linked to the government employment scheme called Harita (Hellmuth et al. 2009; Loster and Reinhard 2012). Both examples have reached a much larger scale than non-subsidized schemes, such as the one implemented in Malawi (Loster and Reinhard 2012).

Apparently, in these cases donor and state provided subsidies are more sustainable than subnational state subsidies in Bolivia. Among other reasons, this might be due to the fact that many governments have stronger institutions and much larger resources than subnational governments in Bolivia. This applies, for example, to the Indian central state and federal states which provide subsidies for agricultural insurance. The microinsurance literature suggests that schemes which depend on constant premium subsidies have to be regarded as unsustainable (Skees et al. 2008). Generally speaking, this is certainly not wrong, but on a more concrete level the stability of subsidies seems to depend on the capacities of state institutions and the stability of political programmes. These aspects vary strongly from country to country.

In the near future, even more external financing for agricultural microinsurance schemes might be made available. Microinsurance is part of international climate change negotiations and is discussed as part of support plans for developing countries. In this sense, the financial burden linked to agricultural microinsurance has an important international dimension that goes far beyond particular local contexts. International climate change negotiations are the bigger picture that should be taken into account if the financing and organization of microinsurance are considered.

Insurance as an adaptation strategy is not only mentioned in the United Nations Framework Convention on Climate Change (UNFCCC), but, for example, also in the Bali Action Plan of 2007 and the Cancún Adaptation Framework of 2010, which proposes insurance as one instrument to be financed out of the Green Climate Fund. Insurance has entered these programmes although it cannot be considered an "adaptation" approach in the strict sense of the term: instead of remedying the underlying problem, insurance enables risk transfer (Skees et al. 2008).

In spite of various negotiation rounds, to date there is no international agreement on the exact role that insurance is going to play in activities that relate to the UNFCCC. In negotiations about the financial aspects, the notion of "double injustice" (Gough 2011) plays an important role: those parts of the global population that are the least responsible for causing climate change and have the least resources to cope with the consequences are likely to be most harmed by it.

Until now, several concrete proposals for insurance as climate change adaptation strategy have been presented (Dixit and McGray 2009). In 2008, the Alliance of Small Island States (AOSIS) proposed a so-called multi-window mechanism which consists of insurance, a risk management component and a compensatory component for countries suffering damages. In contrast to that first proposal, the Munich Climate Insurance Initiative (MCII) has suggested the creation of two insurance tiers to cover different kinds of risks (Schwank et al. 2010). A third proposal has been launched by the UNFCCC Secretariat (cf Dixit and McGray 2009).[29]

In general, three organizational and financial setups have been discussed in these proposals: a global fund to provide compensation to affected countries, catastrophe risk insurance for governments of affected countries and consumer insurance products (Dixit and McGray 2009). Insurance mechanisms for national governments play an important role in all three proposals, and most disbursements would probably go directly to governments. However, the proposals also include plans for the promotion of microinsurance (Dixit and McGray 2009).

With regard to the role of insurance in climate change negotiations, the climate change and disaster risk reduction literature has raised concerns about its affordability and the attribution of the burden (Dixit and McGray 2009; Suarez and Linneroth-Bayer 2009). Most developed countries are very reluctant to acknowledge any binding responsibility in that regard (Dixit and McGray 2009; Suarez and Linneroth-Bayer 2009). Their position makes clear that insurance financing is a matter of international power struggles.

Political processes that relate to diverging interests and resources are not only central to the evolution of microinsurance schemes "on the ground" in Tarija, but also to the promotion of microinsurance at the global scale. There, the politics of microinsurance are equally controversial. The discussion about the role of microinsurance in the context of climate change adaptation is bound to go on for some more time. At the same time, governments and donors continue to provide subsidies for agricultural microinsurance. The sustainability of these subsidies seems to depend, among other factors, on the capacities of public institutions and on the stability of political programmes.

Further implications of a hybrid policy approach: The legitimacy of state subsidies

Subsidies for agricultural microinsurance schemes do not only raise practical, but also normative concerns. From a normative perspective that is oriented towards the legitimacy of political process, subsidies should be embedded in democratic political procedures and should produce just outcomes. It is astonishing that questions regarding the legitimacy of subsidies have received such little attention. Here, I expand on some of the concerns that Sennholz (2009) has raised in a recent article on microinsurance.

[29] For a good overview and detailed comparison of the three proposals see Dixit and McGray (2009).

The literature about public-private forms of governance distinguishes two dimensions of legitimacy (Beisheim and Dingwerth 2008), which I take up here: on the one hand, procedural legitimacy, that is the democratic quality of decision-making processes (input legitimacy) and, on the other hand, the nature of the outcomes of policies (output legitimacy). These aspects translate into two questions: are the procedures linked to the creation and implementation of subsidies inclusive, fair and representative, transparent and marked by accountability? Are the outcomes just (Beisheim and Dingwerth 2008)?

In both regards, the legitimacy of microinsurance subsidies seems to be jeopardized in Bolivia and elsewhere. To begin with, the justice of outcomes often seems to be limited by demand patterns. Even if the main objective of subsidies is the inclusion of poor groups, this effect is not guaranteed. In most countries, particular groups of peasants have bought subsidized agricultural microinsurance and have thus received indirect financial support. These have often been farmers who can afford microinsurance because they are better off (Suarez and Linnerooth-Bayer 2011). This is also true for other types of microinsurance, for example, health microinsurance. There is very ample evidence of stratified demand patterns (Dercon et al. 2008; Mosley 2009). In Tarija, the risk that only a few might profit was a major concern of political decision makers, when they discussed the possible introduction and maintenance of subsidies for agricultural microinsurance.

At the same time, there is also the possibility that it is not the farmers who profit most from donor or state subsidies, but the insurance industry. As Sennholz (2009:18) has pointed out, there is also some risk that public subsidies "lead to a socialization of costs and privatisation of profits". This risk is less obvious if subsidies are used to finance the premium payments, but it exists in any case.

These possible weaknesses with regard to the outcome legitimacy of subsidies are linked to possible limitations of their input legitimacy. In Tarija, above all the transparency of decision making emerged as a problem. A detailed understanding of the advantages and disadvantages of different policies constitutes the basis for informed public decisions about subsidies. In Tarija, public institutions did not have the knowledge and experience to assess the real potential of microinsurance. Here, a systematic evaluation and comparison of microinsurance with alternative or complementary projects would have been very difficult to realize.

This is of particular import as microinsurance subsidies usually imply that scarce public funds are not used for alternative projects. Even if parts of the microinsurance literature downplay alternatives (for example, Gehrke 2011), microinsurance is usually only one among a broad range of instruments or projects that might serve to improve social protection and climate change adaptation.

To illustrate this point, let us take a look at the Tarijan examples. Peasants in Tarija have diverse alternatives to microinsurance and might profit equally or even more from complementary projects. The possibility to buy foil against hailstorm damages to grapes is just one such alternative. There is even a development project in Uriondo that strongly subsidizes this foil. To give another example, in dry zones of Tarija the construction of irrigation systems would largely reduce the main climatic hazard, namely drought.

Microinsurance does not have the same effects as these projects. Still, they all facilitate climate change adaptation in one way or another, and limited public funds have to be divided between projects that would ideally be complementary. In this situation there is no reason why microinsurance should be generally privileged above other strategies of climate change adaptation. In general, subsidies seem more justified if they apply to various instruments that are used to reduce risk and to promote sustainable agricultural practices. Ideally, peasants would have a choice between various subsidized instruments.

To conclude, the contradictory nature of microinsurance practices, which are based on a market ideology at the same time as they rely on public funding, does not only raise questions with regard to the financial sustainability of the schemes. The legitimacy of subsidies is also an urgent concern: who profits from the subsidies provided? Is a transparent decision-making process that relies on a fair assessment of their potential and a comparison with alternative projects possible? These questions should be answered by donors as well as public decision makers if they consider the introduction of subsidies for agricultural microinsurance.

6. Preliminary Results of Microinsurance Implementation: Bolivia's Fragmentary Agricultural Microinsurance System

The preceding sections argue that the politics that are part of microinsurance promotion and implementation, including the relevant power relations, resources and ideas, are worth considering. In Bolivia, these politics have started to foster an uneven agricultural microinsurance system. This system is fragmentary in several ways. The national government currently develops disaster insurance for the poorest communities of the country. At the same time, private insurance firms, NGOs and subnational governments have started to create schemes like the FTR and the VidaAgrícola that target only specific producer groups (grapes, potato and maize producers) within a limited territory (Uriondo or Tarija). In both cases, agricultural microinsurance is offered to specific groups. Moreover, microinsurance is only interesting for specific sectors of the target groups. This section details these notions and shows which groups have been interested in the FTR and the VidaAgrícola scheme.

The actual situation in Bolivia differs largely from the vision of a coherent and comprehensive agricultural insurance system that gives access to all producer groups, as proposed by the national government. The evolution of the governmental insurance plan might foster a more integrated and comprehensive system, but this is still a long way off. In the first phase of the governmental system starting in 2012/13, a major part of peasants in the 65 poorest municipalities will receive disaster insurance cover free of charge. The central state bears 100 per cent of the cost. In the next years, the insured peasants and subnational government bodies will be requested to take over some part of the cost. The catastrophe insurance for 2012/13 covers several crops.[30]

[30] See homepage of the Instituto Nacional del Seguro Agrario (INSA—National Agricultural Insurance Institute: www.insa.gob.bo, accessed on 15 October 2012). The national scheme, which was implemented in 2012/13, is a catastrophe insurance with comparatively low payouts of Bs. 1000 ($140) for selected producers in the case of near-complete losses. The INSA insists that they provide insurance, not microinsurance. Both labels are somehow unjustified, because the insured do not have to pay any contributions in 2012/13. Still, in the long run, contributions will probably play a major role in the national agricultural (micro)insurance system.

Among the producers, who have had access to the FTR and the VidaAgrícola scheme, specific groups have decided to buy microinsurance cover. This self-selection process is directed by prices as well as local social and economic structures. Both the demand for and the impact of microinsurance depend heavily on local livelihood strategies, and cannot be understood without taking them into account (Hintz 2010).[31]

Those who are interested in the VidaAgrícola scheme are smallholders with a somewhat elevated income level.[32] They own or rent enough land to live on it and dispose of some cash income. In general, peasants show more interest in the insurance if they rely on potato or maize as their main source of cash income and not only for subsistence. From the viewpoint of these producers, microinsurance, even if financed out of their own pockets, is in principle a welcome social protection option.

This contrasts with the perspective of Tarijan smallholders who cultivate very few hectares. They usually engage in a number of diverse strategies to make a living. They rely on crop diversification, and they usually have other jobs, for example, as day labourers or migrants. For peasants from the highlands, who are on average more destitute than peasants from the lowlands and the Valle region, migration within and out of Bolivia is of particular importance as an economic strategy. There, migration has been part of lifecycles for generations. Maize or potatoes often constitute a small part of the overall income of these smallholders, so some of them do not consider it worth insuring their produce. Also, unsubsidized agricultural microinsurance is very expensive for people with very low cash incomes (see section 3 for information on pricing).

Peasants who cultivate a comparatively large number of hectares, either large smallholders or medium producers,[33] are usually not interested in buying VidaAgrícola insurance cover either, but for other reasons: they find the insurance too expensive if bought for all their crops. At the same time, these producers often have considerable savings, which they could always use if they suffer major losses.

Against this background, people from different social strata were very disappointed that premium subsidies did not materialize. Agricultural insurance had been the topic of public debate for several years, when the VidaAgrícola project was started. Subsidies had always been part of the debate. Also, they are very much in line with the notion that the state has a "duty" to support agricultural production.

It should also be noted, although it might seem obvious, that microinsurance mostly benefits those parts of the rural population that have their own cash crop production. Effects on day-labourers and people with small plots who engage in very small-scale

[31] For the field of agricultural microinsurance in Ethiopia, this relationship has been explored by Peterson (2012). She shows for example that in Ethiopia women-headed households often have specific needs when it comes to insurance, because they often lease out their land instead of labouring on it themselves.

[32] The microinsurance has only been sold in 2011/12 and 2012/13 and only for a short time due to contextual constraints. Because of this, existing information about the buyers is not very representative. However, the author of this paper carried out qualitative interviews in advance of the actual marketing process that could also help to explain which specific groups are actually interested in the VidaAgrícola scheme.

[33] In Tarija, medium and large producers are mainly found in the lowlands (Chaco) and the Valle region, whereas landholdings are usually very small in the Altiplano. For example, in the Valle region a maize producer is considered a medium producer—according to the local definition—if he owns 18-20 hectares or more.

subsistence production are indirect at best. In some parts of Tarija, this group can be quite large. Still, agricultural microinsurance might also have some indirect positive effects. There is some empirical evidence that suggests that agricultural losses due to natural hazards engender economic losses that go far beyond the immediate damage (Hazell et al. 2010). The inverse relationship might also exist.

In contrast to the VidaAgrícola scheme, the FTR directly subsidized premiums during the first year of its existence. As in similar cases (Hazell et al. 2010), the gradual withdrawal of the subsidies impacted on the demand; however, this was less than might have been expected. The main group that bought insurance cover consisted of small grape producers, who insured up to 0.5 hectares (85 per cent in the second year, for example). These very small producers grow grapes as their main cash crop and usually engage in some additional subsistence production. In addition, some larger producers bought insurance, and from the third year onwards there were also some small *bodegas*, wine factories, which bought insurance cover for their fields.

Interestingly, the price hikes discouraged only few peasants from renewing their contracts. If farmers desisted from buying insurance, this happened in many cases for other reasons. For example, some of them bought foil to protect their grapes against hailstorms. Also, in the third year many grape producers were ill-informed about the institutional changes taking place, so some assumed that the scheme was being discontinued.

I suggest that the relatively small impact of the price hikes is due to the high-value character of cash crop grapes. Both investment costs and possible gains per hectare in the grapes industry are extremely high if compared to other agricultural products. Also, grapes are a cash crop, not grown for self-subsistence. Most producers are fully integrated into the market economy, even if they have some other produce for subsistence apart, and have considerable cash incomes. Hence, for many small producers, albeit not for all, even unsubsidized insurance is affordable. The relationship between the price and the possible payouts of the unsubsidized insurance is not prohibitive as in Clarke's (2011) study cited above.

If the demand for both the VidaAgrícola and the FTR scheme are taken into account, a differentiated picture emerges: if the premiums of maize and potato insurance are not subsidized, insurance is unattractive to many small producers, above all if they rely on diversified livelihood strategies. In contrast, even very small grape producers may find unsubsidized insurance attractive, given the high-value nature of grape production. Grapes are an exceptional crop: they yield higher returns per hectare than any other crop grown in Tarija. Another high-value crop produced in Bolivia is coffee, which is currently also being targeted by a microinsurance pilot (Yungas region).

While these findings confirm the notion that for most crops non-subsidized insurance excludes low-income groups and reduces the overall scale of interest (Suarez and Linnerooth-Bayer 2011), the Tarijan context also provides arguments that support very critical stances towards premium subsidies (Skees et al. 2008). The high frequency of large yield losses in many parts of Tarija suggests that production strategies are not well adapted to climatic conditions, and that there is some need for broader adaptation strategies. In this context, subsidies for microinsurance premiums could indeed create disincentives for climate change adaptation (Skees et al. 2008). This could, for example, happen in the lowlands of Tarija, where droughts produce catastrophic yield losses

almost on a yearly basis, mostly among maize farmers. Interviewees told me several times that water-use strategies and agricultural practices more generally are not at all adapted to the long-term climate in that part of the country.

This shows that the decision regarding premium subsidies is a practical dilemma, which needs to be resolved on a case by case basis. While the decision against them will in most cases exclude certain social strata from insurance coverage and reduce overall interest, the decision in their favour will probably create some undesirable incentives. Disincentives to climate change adaptation seem particularly problematic in a country like Bolivia, where the impact of climate change is already strongly noted.

7. Summary and Conclusions

This working paper has drawn attention to the politics behind the promotion and implementation of agricultural microinsurance. Inter- and transnational politics are central to the proliferation of microinsurance around the world. A transnational network promotes the mechanism at the transnational scale, and international negotiations about climate change adaptation include microinsurance. At the same time, political practices and negotiations in specific contexts like Bolivia, which always relate to specific ideas, interests and resources, play a decisive role for the evolution of microinsurance schemes and their eventual impact.

By highlighting the politics that relate to some particular schemes, this paper has tried to contribute to a more complete perspective on agricultural microinsurance. The findings of this exploration are not only relevant from a scholarly perspective, but they also deserve attention from the stakeholders of microinsurance projects. In this section, I draw some conclusions from the summary of the results that are addressed at microinsurance stakeholders.

My exploration of the politics behind the creation of microinsurance set out with a critical assessment of the relationship between the ideas that provide the basis for microinsurance promotion and its practice. This relationship is highly contradictory. While microinsurance promotion is based on market ideologies, it has strongly depended on public financial support from donors and national governments. Competitive markets for agricultural microinsurance products seem to be very far off. On the contrary, agricultural microinsurance in most cases seems to represent a hybrid policy approach, which relies on public as well as private institutions.

This finding is of some relevance if one looks at the expectations that microinsurance stakeholders have with regard to agricultural microinsurance schemes. The notion that microinsurance is a market mechanism that should be self-sustainable in the long run makes this policy attractive to some governments and donors. However, agricultural microinsurance is in most cases not an instrument that works without long-term financial commitments by either donors or the state. At the same time, if agricultural microinsurance PPPs are created, it is important for the stakeholders to acknowledge the differences between all actors involved and to pay attention to highly political negotiation processes. They cannot expect microinsurance schemes to function simply according to the rules of the market.

If microinsurance is implemented as a hybrid policy approach that involves public and private institutions, the political practices and negotiations that relate to microinsurance creation may limit the practical feasibility of particular project designs. In particular,

large inequalities between public and private project partners may hinder the successful implementation of microinsurance PPPs, if they are not managed very carefully. The PPP that was designed for the implementation of the VidaAgrícola project in Tarija did not work out as desired. One of the reasons was the way in which the inequalities between the institutions emerged. Large power and resource asymmetries between public and private institutions, which also extended to expert knowledge, came to the fore. Moreover, differences regarding the symbolic and cultural capital between the actors involved played a role. In poorer developing countries like Bolivia, public institutions often have low resources. In Tarija, a limited scope of responsibilities on part of the public actors was in line with their limited capacities, but it was perceived as inadequate. All these factors engendered mistrust and hampered successful cooperation.

Both examples treated in this paper also show that subsidies from government bodies might not be feasible in the way that seems desirable from the perspective of microinsurance advocates. In Tarija, where public funds are limited, agricultural microinsurance subsidies from subnational government bodies are highly volatile, if introduced at all. Since most microinsurance schemes that have reached an important scale have strongly relied on subsidies (Hazell et al. 2010; Roth and McCord 2008), this finding is of importance for general assessments of the mechanism.

Beyond this, a view at the politics that evolve in hybrid microinsurance project setups also raises questions regarding the democratic legitimacy of state subsidies for agricultural microinsurance. From a normative point of view, public subsidies should be based on transparent and democratic decision-making processes (input legitimacy), and they have to produce just outcomes (output legitimacy).

As we have seen, Tarija's public institutions partly lack the technical knowledge to take informed decisions regarding agricultural microinsurance. This would require a thorough understanding of microinsurance projects and a systematic assessment of the costs and benefits of alternative projects. Alternatives to agricultural microinsurance usually exist, even if parts of the literature tend to play them down. Many alternative measures would be combined with microinsurance in an ideal world, but because of limited funds there is a trade-off. Before this background, subsidies seem more justified if they apply to various instruments that are used to reduce risk and promote sustainable agricultural practices. Ideally, peasants would have a choice between various subsidized instruments.

Regarding the "outcome legitimacy" of subsidies, public institutions as well as donors should be aware that mainly those who are better off buy microinsurance, even though these people might still belong to poor population groups. However, demand depends not only on income, but also on other factors, for example, in Tarija, on the nature of the produce involved (if the produce is a cash crop, if its production is capital intensive). It seems very difficult to assess these outcomes before the introduction of agricultural microinsurance schemes. On a different level, it has been warned that the insurance industry might use subsidies to "socialize" the costs of market expansion and may finally profit most (cf. Sennholz 2009).

Practical implications of the results: Some recommendations

The hybrid character of agricultural microinsurance

- The notion that microinsurance is a market mechanism that should be self-sustainable in the long run makes this policy attractive to some governments and donors. However, agricultural microinsurance is in most cases not an instrument that works without long-term financial commitments by either donors or state institutions.
- For the stakeholders of those agricultural microinsurance projects that involve public and private institutions it is important to acknowledge the different interests, roles and capacities of all actors involved. They cannot expect the schemes to function according to the rules of the market, but have to pay attention to highly political negotiation processes.
- Large inequalities between public and private project partners may hinder the successful implementation of microinsurance PPPs, if they are not managed very carefully. Among the inequalities that may play a role in the context of microinsurance PPPs are large differences with regard to resources and capacities, including expert knowledge. Moreover, the actors involved may have very unequal symbolic and cultural capital. All these factors can engender mistrust and hamper successful cooperation.

Political feasibility and sustainability of subsidies

- Subsidies for agricultural microinsurance that are provided by subnational governments can be very unstable if the political situation is volatile and if public funds are limited.

The legitimacy of subsidies

- State institutions and donors that consider providing subsidies for agricultural microinsurance should take into account if the outcomes are just ("output legitimacy"). Usually those who are better off buy microinsurance, but demand depends also on other factors, for example, the nature of the produce involved (if the produce is a cash crop, if its production is capital intensive).
- In order to ensure the legitimacy of decision-making processes with regard to microinsurance subsidies ("input legitimacy"), these processes have to be transparent. This requires that the actors involved understand the details of the schemes and are able to compare their costs and benefits to possible alternatives. This is not self-evident given the complex nature of most agricultural microinsurance schemes.
- Alternatives to agricultural microinsurance usually exist, even if parts of the literature tend to play them down. Many "alternative" measures might ideally be combined with microinsurance, but because of limited funds a choice has to be made.
- In general, public subsidies seem more justified if they are provided for various instruments that are used to reduce risk and to promote sustainable agricultural practices. Ideally, peasants would have a choice between various subsidized instruments.

At this point, a critical reader might suggest that the strongest expansion of agricultural microinsurance markets takes place in contexts that are not characterized by the institutional weakness and political volatility encountered in Bolivia. This is true insofar as India has the biggest and still expanding market for these products (Ruchismita and Churchill 2012). The Indian central state and most federal states certainly have much stronger institutions than most subnational governments in Bolivia.

However, similar junctures as in Bolivia might emerge in many countries where agricultural microinsurance schemes have been piloted or implemented. After all, microinsurance is often introduced in contexts where the state is not willing or able to establish comprehensive public systems. Agricultural microinsurance schemes have for example been started in Bangladesh, Ethiopia, Kenya, Malawi and Peru.[34]

The final part of the paper has shown that in Bolivia the politics of promoting and implementing microinsurance have so far resulted in a fragmented agricultural microinsurance landscape. Until now, specific producer groups (for example grape, maize and potato growers) in specific regions, mainly Tarija, have access to microinsurance. Among those who are offered insurance coverage, only some are convinced by the actual products. At the same time, the central government has started

[34] Hazell et al. 2010; Hellmuth et al. 2009; Roth and McCord 2008; Skees et al. 2008.

to buy catastrophe insurance coverage for the poorest municipalities of the country. As the central government, other public actors and private institutions all try to create agricultural microinsurance products at the same time, it remains to be seen if an integrated system that makes convincing offers to a major number of peasants emerges.

Beyond these practical concerns, a look at the politics that are part and parcel of microinsurance promotion also draws attention to the absence of political processes and negotiations, of conflicts of interest and power relations from most research about microinsurance. As has been shown, this disregard is in part due to the fact that a major part of the research stems from actors, who promote the creation of microinsurance. The epistemic community (Haas 1992) of insurance and reinsurance firms, public and private donors, and other interested actors which sustains microinsurance promotion, produces its own research about the topic and has a major influence on academic research produced by economists. Only few political and social scientists, who are not themselves practitioners, have so far paid detailed attention to the mechanism.

Insights into the ideas, interests and strategies of the network enable a more critical assessment of its research. They put the claims of those who support microinsurance into perspective, for example, their calls for public financial support. It is not only important to take politics seriously when assessing the outcomes of specific microinsurance projects, but also when assessing current debates about microinsurance.

As has been shown, a comprehensive assessment of the political practices and negotiations that relate to agricultural microinsurance draws attention to some limitations of that approach that lie beyond technical challenges. While agricultural microinsurance might be a useful instrument, its implementation is currently fraught with contradictions and some project designs will not work in specific contexts. These challenges add to the considerable technical and practical challenges which practitioners address in their research. It remains to be seen if agricultural microinsurance evolves into a sustainable and useful instrument for social protection and climate change adaptation in countries like Bolivia.

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