

Colombia Index-Based Cocoa Insurance Pilot (CIBCIP): call for bids

The results should contribute and build strong partnerships with national authorities as an integral part of the [360 degrees strategy](#) and the cocoa sector growth and [employment generation pact](#).

The pilot will complement and build on the climate risk activities that the PP has led in Colombia to address the challenge of insuring vulnerable smallholder farmers, allowing them to better manage climate risk, enabling investment and growth in the agricultural sector.

The deadline for completion of all work is 30 March 2022 and the budget must not exceed £400,000.

The deadline to submit bids is 23 July 2021 at 18:00 BST (24:00 Colombia time). Please submit bids using template attached to lesly.pinzon@fcdo.gov.uk

Background

The UK-Colombia Prosperity Programme (PP) is worth £25.5 million over 5 years (2018 to 2022). It aims to achieve inclusive growth, poverty reduction and gender equality in Colombia, while creating commercial opportunities for international businesses, including UK companies. The Programme seeks to benefit more than three million people, with a special focus on women and girls in vulnerable and post-conflict affected regions of the country.

The PP supports activities that foster and consolidate the broad-based and inclusive growth needed for poverty reduction, to make development sustainable in line with the International Development Act (2002), the International Development (Gender Equality) Act (2014) and the United Nations Sustainable Development Goals (SDGs).

The UK has expertise in a range of sectors that countries will need to reform as they develop, including education, healthcare, finance and infrastructure. Helping partner countries develop these sectors and improve their business environment will give firms and people greater opportunities to work in a stronger, more productive economy.

The PP also seeks to improve trade links between Colombia and the rest of the world, including the UK. Higher growth in Colombia offers greater trade opportunities for international and UK business.

The PP in Colombia works in 3 strands: agriculture, infrastructure and institutional strengthening, all underpinned by a strong gender focus. The agriculture strand has two core activities, the first one is looking to increase productivity of smallholder farmers through adoption of agri-technologies.

The second activity, implemented by the Development Bank of Latin America (CAF), is developing a modern agri-information and monitoring system; as well as technologies and education programmes to stimulate demand for agricultural insurance, and knowledge of agricultural risks and risk management.

Colombia has 12.8 million hectares suitable for production of cocoa crops. Growing and processing cocoa provides development opportunities for 52,000 rural families. It involves small and medium producers and creates approximately 165,000 direct and indirect jobs in over 400 municipalities and 27 departments in Colombia. In 2020, the country produced over 63,416 tons of cacao beans from which 11,145 tons were exported, ranking it the world's 10th largest producer.

Cocoa is viewed as a vital 'Peace Crop' by offering a viable alternative for generating income among smallholder farmers, approximately 14% of cocoa grown in Colombia is where formerly illegal crops were located. However, the cacao sector remains underdeveloped. Very low levels of technology, extension services and investment hinder the potential of the sector to become a source of income and development for rural communities. Furthermore, climate change has large implications for cocoa production as increased temperature and rainfall variability affects productivity.

Smallholder farmers are exposed to wide range of climate risks that, when not properly managed, are a major cause of low yields and financial shocks. These risks are hugely important for farmers with greater vulnerability to climate effects, including climate change, as they depend directly on agriculture for income and subsistence.

In Colombia, insurance coverage for agriculture is subsidised. In 2021 more than £7.5m were secured to cover up to 85% of the cost of the premium for smallholder farmers. Yet, the uptake of insurance products remains low. Finagro estimates that annually less than 3% of total cultivated area uses insurance coverage to protect production against the impact of unexpected climate events.

For cocoa production, the insurance uptake rate is even lower with less than 1.5% of total area covered. Low awareness and knowledge of insurance, and unaffordable premium costs, have restricted farmers' uptake. (Finagro is the development entity that provides resources to financial intermediaries, to provide loans to farmers. It is a mixed economy company, organized as a banking institution, with a special regime, linked to the Ministry of Agriculture and Rural Development and supervised by the Financial Superintendence of Colombia. It acts as a second-tier banking, that is, it grants resources under boosting conditions to financial entities, so that these in turn give loans to productive projects)

Index-based weather solutions are a novel type of insurance that could enhance access to formal insurance for cocoa smallholder farmers, through implementation of technological, contractual, and institutional innovations to reduce agricultural risks and farmer's vulnerability. The index-based solution leads to pay-outs based on triggers rather than on-farm visits, this tackles some of the challenges of traditional insurance models, including

overcoming high operational costs, the cost of premiums, and simplified claim processes.

Objectives

The Colombia Index-Based Cocoa Insurance Pilot (CIBCIP) will help to design a scalable and replicable farmer-driven index insurance product for a defined climate risk. The pilot must be part of a holistic risk management solution to reduce vulnerability of cocoa smallholder farmers to climate risks. It should explicitly target obstacles to help improve farmer income and use insurance as a tool to help increase productivity.

The insurance pilot will be a farmer-driven design; it will also use robust scientific output and include international technologies and knowhow as drivers of innovation. It will also consider existing gaps among different groups of climate-vulnerable smallholder farmers- for example, female smallholders, those belonging to ethnic groups or young smallholders, and it will make an effort to adapt solutions that promote inclusion of these groups.

The CIBCIP will build a robust weather-index correlating a specific climate risk with a negative income shock to design a comprehensive insurance ready for market uptake, highlighting features and finding mechanisms to reduce risk of low demand from insurance providers.

The CIBCIP will enhance the capacity of vulnerable cocoa smallholder farmers and strategic cocoa supply chain actors to better manage climate risk, enabling investment and growth in the agricultural sector, aligned with the agri insurance Theory of Change (ToC) for the PP.

The CIBCIP will build capacity of smallholder farmers and key supply chain actors to ensure that all partners understand, endorse and feed into the design of the pilot. It will also build trust to increase demand of index insurance in the cocoa sector. The pilot will need to demonstrate that it satisfies demand, that it solves the problem of managing risks in the cocoa sector, that it is operational in Colombia and that it has potential for success in the finance sector, allowing sustainability and scalability of the pilot.

The CIBCIP will help to open the market to international companies with agri-tech and financial products and services. It will support companies to develop, or reinforce, their commercial foothold in Colombia, enabling public and private sector partnerships, and creating or facilitating access from companies to commercial opportunities.

Project approach guidance

To achieve these objectives, the implementer will review international experiences to identify positive and negative experiences, draw lessons, suggest alternatives, and consider options towards scaling up. Implementer will engage and build strong partnerships with the Ministry of Agriculture

and Rural Development (MADR), Finagro, relevant cacao supply chain actors and relevant insurance-market actors to agree on: the covered risk, action plan, insurance policy and design, (please refer to [Figaro's manual](#) for insurance incentives) additional partners, targeted population and CIBCIP governance.

The implementer will select a commercial partner using a competitive process, to build a weather-based index robustly designed so that it protects cocoa farmers against the targeted risk. The index design should be farmer-driven and should use science-based data and evidence to be representative, measurable and correlatable to a financial loss. The implementer should explore opportunities in exploiting new, remote sensing technologies. Effects of climate change on weather phenomena should be considered.

The implementer will design an education component to increase the capacity of smallholder farmers, relevant cocoa supply chain actors and relevant insurance-market actors to better manage climate risk and use the insurance as a tool to reduce their vulnerability and to increase productivity.

Good communication with farmers is fundamental so that they understand the covered risk and the insurance product. Building links between insurance companies, reinsurers, commercial partners and the farmers will be a core element of the CIBCIP. The implementer should address the problem of introducing a relatively complex insurance product in an environment where farmers have low education and financial literacy in insurance take-up. Farmers must be able to understand insurance contracts; trust is inherently at the core of the process.

The implementer will identify an insurance provider registered in Colombia and agree on the insurance policy that should consider: an accessible premium cost, reliable payment trigger, clear basis risk, simple claim process and other terms, always giving farmers a voice to design the product. These parameters should consider elements of Value for Money and demonstrate usability and sustainability so that uptake is attractive to the market, and it becomes a widely-used insurance tool in Colombia.

A technical concept note must be prepared describing the insurance policy. The CIBCIP should provide sufficient incentives for the insurance provider to commit to register the index insurance product based on the technical concept note (Only insurance companies with a registered agricultural strand can subscribe index insurances with Superintendencia Financiera de Colombia).

Notice that all the described activities must be delivered by 30 March 2022.

Funding exceptions

Funding cannot be used to finance the following:

- purchase or maintenance of IT or capital equipment
- Insurance premium, insurance policy.

Additional information

The grant recipient will be expected to provide interim products to the PP and Finagro for its review and guidance. Bidders are encouraged to include a timeline in their proposal that includes regular opportunities for feedback on draft reports and a phased approach to delivery.

All work must be completed by 30 March, 2022. Bidders should include a realistic timeline in their proposals demonstrating ability to deliver against the Project's objectives within this timeframe.

Bidding process

Bidders will be responsible for proposing precisely how to achieve the objectives set out above. Proposals must be submitted in English using the templates provided below including:

If the bidder is a consortium, the following information must be provided: Full details of the consortium; the role of each member of the consortium in delivering against the project's objectives; and a primary bidder, who will be the principal point of contact with the project board. Only Non-for-profit organisations are allowed in the consortium and must complete the Grant Eligibility (Due diligence) template. All implementer partner must comply with section 5.

Proposals will be assessed using the attached evaluation criteria. Bidders may be asked for additional information to support their initial proposals.

Questions and enquiries can be submitted to lesly.pinzo@fcdo.gov.uk by midnight Wednesday 14 July. Additional questions will be addressed during the briefing session scheduled for Friday 16 July 8am Col time. Please refer to key dates below for registration information.

All proposals must be received by midnight on Friday 23 July (Colombian time). Late proposals will not be considered. Proposals must be submitted to Lesly.pinzon@fcdo.gov.uk with the subject line "Organisation name – Project Title" and include a point of contact in the body of the email.

Successful bidders will be notified by 28 July 2021

Key dates

Dates (COL time)

14 July 2021 (midnight)	Deadline to request additional information and questions.
15 July (noon)	Deadline registration to briefing session.
16 July 2021 (8:00AM-9:AM)	Briefing session via Teams.
23 July 2021 (midnight)	Deadline to receipt of project proposals.
28 July 2021	Implementers informed of bidding round outcome.

Dates (COL time)

30 March 2022

Projects to complete all activities, achieve 100% spend and submit project completion report.

Send your requests and questions to lesly.pinzon@fcdo.gov.uk

8. Additional information and documentation

Use the following templates to submit the project proposal:

All implementers will be expected to sign a standard FCDO grant agreement with the Embassy (below). Use the following document for reference: