



Climate finance challenges

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Opinions, Columns

An understanding has finally emerged that Pakistan faces serious climatic challenges, which can continue to trigger devastating disasters, such as the floods last year. Building on the principles of climate justice, Pakistan made a powerful claim to the international community, at the largest annual international Conference on Climate Change (UNFCCC) COP-27 (Conference of Parties). Pakistan asserts that it is not a major contributor to the menace of climate change; however, the economic and social development prospects of its vast population are being severely affected by climate-induced disasters. The international donor community has largely recognised the desperate need for technical and financial support, encouraging Pakistan to establish priorities and action plans.

This encouragement resulted in the development of several strategically oriented documents that define the institutional landscape for climate and disaster financing. For example, the Resilient Recovery, Rehabilitation, and Reconstruction Framework (4RF), created in the aftermath of the 2022 floods, is a strategic policy document guiding the rehabilitation and reconstruction of flood-affected areas through extensive collaboration with development partners.

Additionally, the recent upgrade of National Flood Protection Plan IV, with assistance from the Asian Development Bank, aims to implement an integrated flood management plan that integrates land and water resource development to minimise flood risks and maximize water resource utilisation, which is vital given Pakistan's unique disaster challenges.

Another important development is the approval of the National Adaptation Plan (NAP) by the federal cabinet. This plan targets the reduction of Pakistan's vulnerability to climate change impacts while building adaptive capacity and resilience. Once implemented, it will integrate adaptation into national, sectoral, and sub-national policies and programs. Equally important are the nationally determined contributions (NDCs) submitted to the United Nations, which outline Pakistan's commitments for mitigation and adaptation.

In an ideal world, with the necessary policy and strategic pieces in place, Pakistan's climate action should proceed smoothly. However, several challenges are expected to hinder meaningful progress. These challenges include the lack of coordination among different implementing institutions and the pressing need for adequate financing. Pakistan requires over \$80 billion to implement the integrative flood protection plan, meet NDC targets, finance the "build back better" plans outlined in the 4RF Strategy, and ensure broad-based adaptation as a resilience-building objective. Unfortunately, Pakistan's track record in benefiting from international climate finance sources has been less than ideal due to institutional and capacity challenges that persist.

Therefore, it is imperative to mobilise a significant portion of this funding from a variety of donors and international finance institutions through innovative financial instruments. International finances should be combined with domestic public and private capital through financial blending methodologies. This would involve diverting concessional financing to non-remunerative measures and de-risking large-scale disaster investment programs. Achieving this requires an improved and consolidated climate and disaster fund management architecture that ensures effectiveness, efficiency, and scalability.

Such a consolidated structure must evolve as a distinctive institutional program to attract funding from international and bilateral sources, as well as domestic sources, making it accessible to the public sector, civil society, private sector, and community groups. The overarching goal is to serve as an extended and pooled mechanism that acts as an intermediary channel for international climate finance funds from various donors and facilitates efficient disbursements at the national level.

While the institutional infrastructure for disaster risk management in Pakistan has evolved considerably, the goal of wide-ranging alignment and coordination has yet to be fully achieved. The National Disaster Risk Management Fund (NDRMF), a federal government entity mandated for disaster risk management and climate action, has already begun to assume this role on a limited scale. With its established institutional setup and demonstrated expertise across various sectors and areas, NDRMF is ideally positioned to evolve as a consolidated financial intermediary, bringing coherence, efficiency, and effectiveness in a cost-efficient manner.

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