

PAKISTAN'S DISASTER RISK FINANCING LANDSCAPE



Strengthening Financial Readiness for Resilience



Pakistan ranks among the **top 10 countries** globally most affected by **climate-induced disasters**.



Annual economic losses from natural hazards average **\$3-4 billion**, with large-scale events like the **2010 and 2022 floods** causing damages in billions.



Historically, Pakistan has relied on **post-disaster financing**, leading to **delays** in response and recovery.

WHY IT MATTERS



A proactive disaster risk financing strategy is essential to ensure timely, adequate, and predictable funding when disasters strike.



Faster funding = quicker response



Reduces losses by preventing extended damages



Protects communities and preserves development gains

KEY DRF INSTRUMENTS

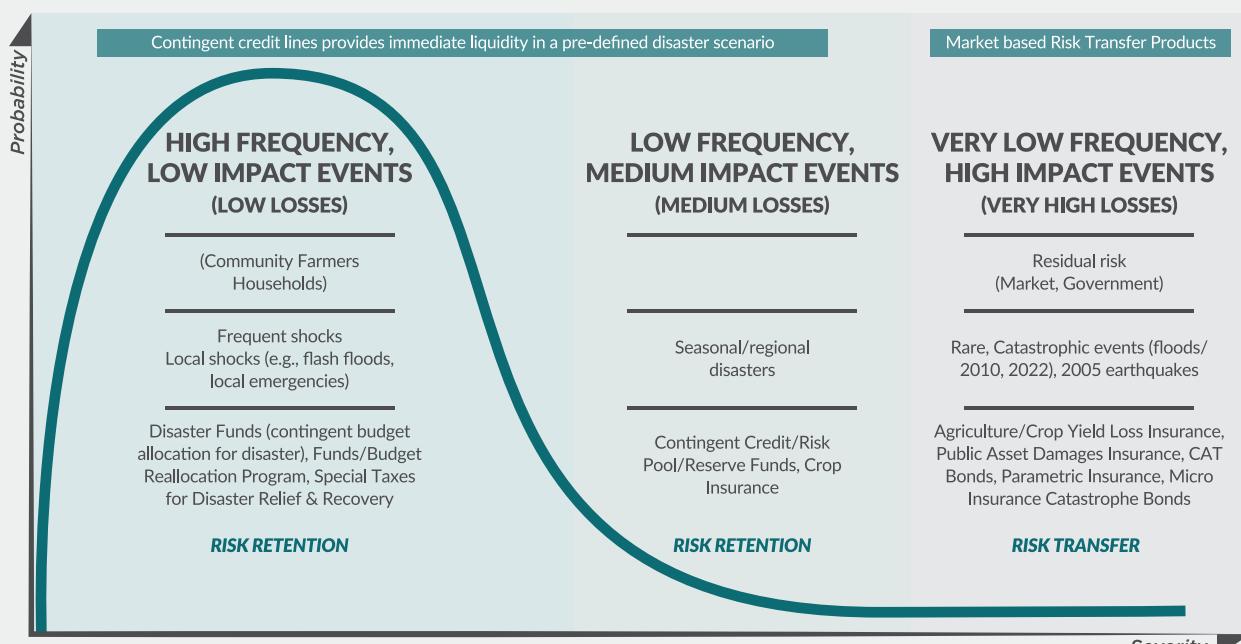
Instrument

Contingency/Risk Pool Funds
Catastrophe Risk Insurance
Crop Insurance
Social Safety Net Shock Windows
Contingent Credit Lines
Catastrophe Bonds (CAT Bonds)

Purpose

Immediate liquidity for early response/recovery
Pre-arranged insurance for public assets
Payouts to farmers for drought/flood and Heatwave events
Emergency cash transfers (e.g., BISP)
Quick-disbursing loans/International Funds
Market-based risk transfer for major events

RISK LAYERING APPROACH



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NDRMF APPROACH FOR STRENGTHENING FISCAL RESILIENCE

NDRMF is working with government counter parts and development partners to enhance fiscal and operational resilience by putting in place financing mechanisms and instruments.

Developed DRF Strategy of Pakistan which is based on risk layering approach for cost effective risk transfer option and other instruments.

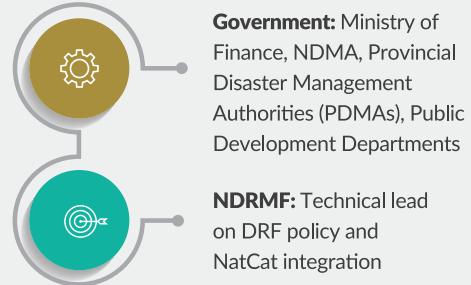
Powered by the NatCat Risk Assessment Model, to develop DRF financing instruments specifically for insurance and reinsurance industry.

Risk Assessment Tool: NatCat Model

The Natural Catastrophe Risk Assessment Model (NatCat), developed by NDRMF, ADB & SUPARCO as partner, provides:



KEY STAKEHOLDERS & PARTNERS



Private Sector:
Insurance companies, reinsurers, financial institutions, MFIs

NDRMF: Technical lead on DRF policy and NatCat integration

CHALLENGES & OPPORTUNITIES

Challenges

- Limited pre-arranged financing across sectors
- Unpredictable post disaster aid
- Fragmented data
- Low insurance coverage
- Capacity gaps - Limited provincial capacity
- Pilot agriculture (crop/livestock), public asset insurance

Opportunities

- Expand NatCat based risk informed development planning
- Mainstream DRF in budgets
- Integrate DRF into public financial management (PFM) systems
- Pilot new instruments: e.g., crop/livestock insurance, parametric triggers
- Align DRF with climate adaptation financing

Recent Milestones

- Activation of BISP Emergency Cash Grants during 2022 floods
- NatCat integration in Federal Flood Commission, Ministry of Planning and Special Initiatives
- NatCat integration into provincial disaster planning
- NatCat interoperability with Insurance Sector
- Risk financing discussions held at COP and national forums

Finance Ready. Response Ready. Resilience Ready

FOR TECHNICAL ASSISTANCE OR MORE INFORMATION:

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Date: July 2025