

The Global Shield against Climate Risks for enhanced Climate Resilience in Pakistan

As climate change continues to take a toll on global systems and infrastructure, the '*Global Shield against Climate Risks*' provides a new initiative to build Climate Resilience in Pakistan with the support of the international community. The '*Global Shield*' is a mechanism supported by G7 under the presidency of Germany and launched recently at COP 27, where Pakistan became one of the first countries to potentially take the role of pathfinder for other countries. Pakistan is also the first countries to have applied for support through the newly launched '*Global Risk Management Alliance (GRMA)*', an initiative that makes climate risk analytics more accessible under the umbrella of the '*Global Shield*'. These initiatives are supported by common commitments of the Pakistan-German Climate and Energy Initiative to rapidly increase resilience to climate change, presented at COP 27 by the respective Ministers of both governments. These commitments consist of climate and disaster risk assessment, financing climate and disaster risks, including climate risk assessment, and adaptive social protection.

Climate risk insurances themselves present a promising coping mechanism for poor and vulnerable countries and populations. They serve as a source of financial protection against the impacts of climate-related disasters that otherwise force affected communities to resort to negative coping strategies, e.g., selling productive assets or enduring irreparable losses. By integrating innovative insurance solutions in different phases of climate and disaster risk management, vulnerable communities may be empowered to minimise pre-event risk as well as accomplish a quicker post-event recovery. Insurance is most effective when it is embedded in a comprehensive risk management framework including a range of instruments for financial protection. This panel will discuss these options.

All of these instruments have to be supported by a profound climate and disaster risk assessment which analyses the risks an investor may have to deal with. In addition, any resilience apparatus should serve the entire society that is exposed to a given risk. Therefore, the funding of climate resilience has to be integrated into social security instruments as well, thus creating a social protection mechanism that is adaptable and holistic.

When it comes to Pakistan, its high vulnerability to climate change is well established, and made evident by the increasing frequency of climate-induced disasters over the past 20 years, that have been responsible, on average, for losses of USD 3.8 billion annually (World Bank and ADB 2021). This has made the role of climate risk insurances ever more important for the country. However, their prevalence in the local market is next-to-none. In recent years, especially following the floods of 2010, these insurances have been introduced in the agriculture sector, but their scope needs to be expanded to build strong and climate-resilient communities across the country.

To this end, the panel will gather experts working in the domain of disaster management and financing, to address the broader objective of understanding the prospects of climate risk insurance and finance, including climate risk assessment and adaptive social protection in strengthening local resilience against the impacts of climate change. Within this objective, the panel will seek to answer the following questions:

- What role do climate insurance and risk finance play in enhancing resilience of vulnerable countries like Pakistan? How can the international community contribute in this venture?

- How can Pakistan’s membership in the ‘Global Risk Management Alliance’ improve its climate resilience? What is the added value of Pakistan’s potential role as pathfinder for the ‘Global Shield’?
- Which strategies and best practices can be applied to facilitate and improve access to climate risk insurances and finance in different sectors (e.g., agriculture, housing, infrastructure, etc.), while making a distinction between the approaches relevant to rural and urban communities?
- What role should banks (commercial, central, and Multilateral Development Banks [MDBs]), insurance companies, and Development Financing Institutions (DFIs) play in developing an effective landscape for climate risk insurances and finance in Pakistan? How can access to these tools be increased particularly for poor and vulnerable communities?
- What policy recommendations are pertinent to the development and implementation of climate risk insurances and finance in a manner that ensures gender responsiveness and socioeconomic justice?

Reference

World Bank and ADB 2021, ‘Climate Risk Country Profile: Pakistan (2021)’, World Bank and Asian Development Bank, <<https://www.adb.org/publications/climate-risk-country-profile-pakistan>>.

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