

## **Role of Microfinance Institutions for Climate Risk Insurance**

Climate change continues to intensify risks for vulnerable communities worldwide, particularly in developing countries like Pakistan. Microfinance Institutions (MFIs) play a critical role in providing financial services to these populations, aiding them in adapting to climate-related challenges. Recently, MFIs have adopted climate risk insurance as an innovative tool to reduce the vulnerabilities of low-income communities across both developed and developing regions.

Traditionally focused on financial inclusion through small loans, savings accounts, and basic insurance products, MFIs are now expanding their services to address climate risks more effectively. Climate risk insurance is essential in mitigating the financial losses caused by extreme weather events and natural disasters. Given their close connections with marginalised communities, MFIs are uniquely positioned to offer tailored climate risk insurance products, particularly in areas where traditional insurers are either absent or inaccessible.

In developed countries like the United Kingdom and Italy, MFIs have successfully collaborated with governments, private insurers, and international organisations to deliver scalable climate risk insurance products. In contrast, MFIs in developing countries face challenges such as resource constraints, lower financial literacy, and weak regulatory frameworks, limiting their ability to offer comprehensive climate risk insurance. Pakistan, a country highly vulnerable to climate-related disasters, can benefit from these models. This panel will:

- Explore the role of Microfinance Institutions (MFIs) in providing climate risk insurance and their potential to reduce vulnerabilities among low-income and marginalised communities in Pakistan.
- Discuss the specific challenges faced by MFIs in Pakistan, including resource limitations, regulatory gaps, and low financial literacy, and explore strategies to overcome these barriers to provide climate risk insurance.
- Promote and encourage dialogue between policymakers, financial institutions, and stakeholders to create an enabling environment that supports MFIs in scaling up climate risk insurance and contributing to Pakistan's climate resilience efforts.

### **Panel Organisers**

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