

SESSION 3

FOR
LEVERAGING CLIMATE RISK TRANSFER INSTRUMENTS
ADAPTIVE SOCIAL PROTECTION (INCLUDING GLOBAL

Building Block 2: Financing Social Protection

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Loss and Damage Fund & Adaptive Social Protection



Supporting climate resilience through innovative financing mechanisms

- Pre-arranged financing for climate disasters
- Risk transfer mechanisms
- Enhanced social protection systems
- Direct Support for vulnerable communities
- Integration with anticipatory action

Pakistan context:

- Pakistan suffered climate damages of \$30+ billion in 2022 floods (10% of GDP), making it a prime candidate for Loss and Damage support

Global Example: Caribbean Catastrophe Risk Insurance Facility (CCRIF):

- First multi-country risk pool providing liquidity within 14 days of disasters, disbursing over \$245 million in payouts since 2009

Understanding Anticipatory Social Protection

2nd National Social
Protection Conference

24th – 26th February 2025 | Karachi



Key elements

- Proactive measures taken before climate shocks occur
- Uses forecasting and early warning systems to trigger assistance
- Combines climate science with social protection delivery
- Enables pre-emptive cash transfers and support

Benefits:

- Reduces impact of climate shocks on vulnerable populations
- More cost-effective than reactive responses (3-9x more cost-efficient)
- Helps preserve livelihoods and assets

Pakistan Context:

- Opportunity to develop new forecast-based triggers for Pakistan's varied climate risk
- Pakistan's Glacial Lake Outburst Flood (GLOF) early warning systems could be linked to auto-triggered social protection payments
- Opportunity to develop BISP anticipatory protocols for recurring disaster cycles (monsoon flooding, drought, heatwaves)
- Over 90 million digitally registered citizens can enable rapid delivery of anticipatory transfers

Global Best Example: Bangladesh Early Action Rainfall (BEAR) system:

- Triggers cash transfers and provision of water purification tablets before floods, reaching 145,000 people prior to 2020 floods

SESSION

LEVERAGING CLIMATE RISK TRANSFER INSTRUMENTS FOR ADAPTIVE SOCIAL PROTECTION (INCLUDING GLOBAL SHIELD)

Integration with Anticipatory Action



Pre-arranged financing mechanisms for early action:

- Forecast-based financing:
 - Trigger-based disbursement
 - Early warning systems with automatic funding releases
- Integration with existing social protection programs:
 - Scaling up before disasters
 - Pre-identified vulnerable populations
 - Proactive resource allocation based on climate forecasts

Pakistan Context:

- Integration with Pakistan Meteorological Department's more precise forecasting systems (5-day flood forecasts)
- Potential to establish Provincial Disaster Risk Management Funds with anticipatory financing windows
- Developing heatwave triggers for urban centres where temperatures now exceed 50°C, linked to BISP and health systems

Global Best Example: Philippines Forecast-based Financing:

- Early action protocols triggering typhoon preparations when wind speeds reach predefined thresholds 72 hours before landfall, deployed successfully for Typhoon Kammuri in 2019

Risk Transfer Support



- Development of insurance products:
 - Weather-indexed insurance
 - Micro-insurance for vulnerable communities
- Establishment of sovereign risk pools
- Premium subsidies for climate risk insurance
- Parametric insurance with rapid payouts
- Integration with anticipatory action framework

Pakistan Context:

- Extend microinsurance schemes from 500,000 to 5 million smallholder farmers through public-private partnerships supported possibly by Loss and Damage Fund
- Develop Pakistan's first sub-national catastrophe bond for Sindh or Punjab provinces
- Incorporate Global Shield pilot learnings to develop National Disaster Risk Financing Strategy with specific financing windows

Global Best Example: R4 Rural Resilience Initiative:

- Reaching farmers across Africa with integrated risk management including weather index insurance, allowing Ethiopian farmers to increase savings by 123%

Strengthening Social Protection Systems



- Development of anticipatory components:
 - Early warning triggers
 - Pre-defined action protocols
- Integration of climate risk assessments
- Enhanced targeting mechanisms for vulnerable groups
- Capacity building for implementing agencies
- Linkages with forecast-based financing

Pakistan Context:

- Integrate NDMA's climate vulnerability assessments with BISP's poverty database for better targeting
- Develop shock-responsive protocols for cash-plus modalities (combining cash with livelihood support)
- Create financial inclusion strategy for 60% of rural women who lack access to financial services
- Enhancing delivery systems in hard-to-reach areas like Balochistan through mobile solutions

Global Best Example: Ethiopia's Productive Safety Net Programme (PSNP):

- Scalable program covering 8 million people with contingency funds allowing immediate 20% coverage expansion during droughts

Financial Protection and Implementation



Financial Mechanisms:

- Contingency funds with anticipatory triggers
- Layered financial protection strategies
- Pre-arranged financing agreements

Success Factors:

- Clear frameworks for accessing funding
- Strong coordination between agencies
- Integration of forecasting with funding releases
- Public-private stakeholder engagement

Pakistan Context:

- Develop Pakistan's Green Bond Framework to access climate finance for social protection infrastructure
- Establish provincial-level risk retention funds linked to the National Disaster Risk Management Fund
- Create multi-year Loss and Damage funding window within Central Bank for anticipatory financing
- ADB's CDREP and Climate Change Fund could provide cofinancing with Loss and Damage resources

Global Best Example: Mexico's Natural Disaster Fund (FONDEN):

- Layered risk financing approach combining budget allocations, contingent credit, and

