



FINANCING RESILIENCE

The Missing Pillar of Pakistan's New Regional Order

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A leading brokerage house estimates that the 2025 monsoon floods caused agricultural losses exceeding Rs 302 billion, or roughly US\$1 billion, a private market estimate, not an official government damage assessment¹⁵⁴. This follows the 2022 floods, for which the Government of Pakistan's own Post-Disaster Needs Assessment recorded US\$14.9 billion in direct damages and a further US\$15.2 billion in economic losses, with rehabilitation and reconstruction needs separately assessed at a minimum of US\$16.3 billion three distinct figures, not one combined total¹⁵⁵. German watch's Climate Risk Index, which measures the realized human and economic impact of extreme-weather events rather than a country's inherent structural vulnerability to future climate change, has repeatedly placed Pakistan among the ten most affected countries in the world, despite the country contributing under one percent of global greenhouse gas emissions.¹⁵⁶ In simple terms, Pakistan is not the one creating the problem, but it pays a very high price, almost every year.

Pakistan is currently discussing its position in a new regional order, new connectivity and trade routes, new industries and exports, and new energy pipelines. These are important conversations, but a quieter question deserves equal attention: when the next flood arrives, who pays for it, and how quickly?

154. Arif Habib Limited, 'Economic Impact of 2025 Floods', research note, 8 September 2025, as reported in Arab News and Business Recorder, 8 September 2025. This is a private brokerage-house estimate, not an official government damage assessment; agricultural losses were estimated at Rs 302 billion (approximately US\$1 billion), out of a nationwide estimated loss of Rs 409 billion (approximately US\$1.4 billion, 0.33% of GDP).

155. Government of Pakistan, Ministry of Planning, Development and Special Initiatives, Pakistan Floods 2022: Post-Disaster Needs Assessment (Islamabad, October 2022), prepared jointly with the Asian Development Bank, the European Union, UN agencies (technical facilitation by UNDP), and the World Bank. The PDNA reports three distinct figures: total damages of US\$14.9 billion, total economic losses of US\$15.2 billion, and rehabilitation and reconstruction needs of at least US\$16.3 billion.

156. German watch, Global Climate Risk Index (Bonn: German watch e.V., various editions). The Index analyses the quantified impacts of extreme-weather events, fatalities, and economic losses using Munich Re NatCatSERVICE data; it measures realized impact, not a country's inherent structural vulnerability to future climate change.

This article is based on a thesis examining Pakistan's disaster risk and climate finance system through three lenses: government budget allocations, direct interviews with responsible officials, and the content analysis of the two national policies meant to guide financing decisions. Its central argument is straightforward: making Pakistan resilient requires fixing how the country pays for climate change and disasters, not only how it plans for them.

A SYSTEM THAT REACTS INSTEAD OF PREPARING

Government budget documents point to a consistent pattern. The federal disaster management budget's share of total federal budget outlay fell from 0.35 percent in FY2023-24 to 0.32 percent in FY2024-25 and 0.29 percent in FY2025-26, before rising sharply to 0.62 percent in FY2026-27. This share is calculated as disaster-tagged budgetary allocation in the Preparedness, Response, and Recovery & Rehabilitation categories reported in the Finance

Division's own Climate, Gender and Disaster Budget Statement (Table 18 of the annual Budget in Brief) divided by the total federal budget outlay for the corresponding fiscal year (Table I of the same document)¹⁵⁷. Concretely: disaster-tagged allocation stood at PKR 50,213 million out of a total federal budget of PKR 14,485,000 million in FY2023-24 (0.35%); PKR 60,877 million out of PKR 18,877,000 million in FY2024-25 (0.32%); PKR 50,181 million out of PKR 17,573,000 million in FY2025-26 (0.29%); and PKR 116,238 million out of PKR 18,771,000 million in FY2026-27 (0.62%), the last figure reflecting a newly introduced 'Reconstruction' sub-category (PKR 19,135 million) alongside the existing Preparedness, Response, and Recovery & Rehabilitation lines. These are approved budgetary allocations, not audited actual expenditure; Pakistan does not publish a consolidated, disaggregated account of executed disaster-related spending on a comparably timely basis, so this analysis, like most comparable budget-tracking exercises, relies on approved allocations as the best available proxy for government intent and planning.

Table I: Pakistan's Disaster and Climate Budget Allocations, FY2023-24 to FY2026-27 (approved allocations as reported in the Finance Division's Budget in Brief)

Indicator	FY2023-24	FY2024-25	FY2025-26	FY2026-27
Disaster budget, % of federal budget	0.35%	0.32%	0.29%	0.62%
Mitigation share of climate budget	64.46%	76.48%	84.13%	57.97%
Adaptation share of climate budget	26.65%	16.75%	11.92%	32.93%
Response spending (PKR million)	11,394	12,999	15,876	32,774
Recovery & Rehabilitation spending (PKR million)	1,541	444	1,142	21,485

Source: Finance Division, Budget in Brief, FY2024-25, FY2025-26, and FY2026-27 editions, Table 18 and Table I of each edition.

157. Government of Pakistan, Finance Division, Budget in Brief, FY2024-25, FY2025-26, and FY2026-27 editions (Islamabad: Ministry of Finance), Table 18 ('Climate, Gender and Disaster' / 'Gender, Climate and Disaster' Budget Statement) and Table 1 ('Budget at a Glance') of each respective edition. FY2023-24 figures are drawn from Table 18 of the FY2024-25 edition, which reports Budget 2023-24 as a comparator column. Figures represent budgeted/tagged allocations as approved by Parliament, not audited actual (executed) expenditure.

Response spending rose 106.44 percent, and Recovery & Rehabilitation spending rose 1,781.35 percent between FY2025-26 and FY2026-27, the first budget cycle presented after the 2025 monsoon floods. Neither the Budget in Brief nor the accompanying budget speech explicitly states that this increase was made because of the 2025 floods; the timing of a budget increase concentrated specifically in the Response and Recovery lines, tabled in the first cycle after a major flood, is, however, consistent with a reactive rather than an anticipatory budgeting pattern.

A second pattern appears within the climate budget itself. Government climate-tagged spending is generally reported across three categories: mitigation, adaptation, and cross-cutting or 'support' areas. The National Climate Change Policy 2021 identifies adaptation as the country's top climate priority, given Pakistan's exposure to floods, droughts, heatwaves, and other climate-induced hazards.¹⁵⁸ Budget tagging data shows mitigation spending reaching 84 percent of the climate budget in FY2025-26, and still standing at 58 percent in FY2026-27 even after some correction, against 33 percent for adaptation.¹⁵⁹ Mitigation and adaptation are not, however, strictly zero-sum categories: mitigation investment in sectors such as transport and energy, for example, public transit expansion or grid modernization can also generate co-benefits for energy security, air quality, and climate resilience, and the government's own budget-tagging methodology does not always cleanly separate a single project's mitigation and adaptation contributions. Even allowing for this overlap, the scale and consistency of the gap between mitigation and adaptation shares across the years examined suggests that capital is not flowing toward adaptation at a pace consistent with the policy's own stated priority.

WHY THE SYSTEM KEEPS FALLING BEHIND

These budget patterns were examined alongside nine semi-structured key informant interviews with officials at NDMA, NDRMF, the Ministry of Climate Change and Environmental Coordination, the Ministry of Finance, and UNDP Pakistan. Respondents were selected through purposive sampling of individuals directly engaged in climate and disaster financing decisions, and recurring themes were treated as findings only when corroborated by more than one independent respondent. Five such themes emerged.

First, no single body holds overall responsibility for coordinating climate and disaster financing decisions and investment planning across NDMA, NDRMF, the Ministry of Climate Change and Environmental Coordination, and the Ministry of Finance.

Second, accreditation with the Green Climate Fund (GCF), the specific international fund respondents discussed in most detail, remains limited to two Pakistan-based institutions, JS Bank and the National Rural Support Program (NRSP), both accredited as national Direct Access Entities; other Pakistani institutions must access GCF resources through an international intermediary such as UNDP, ADB, or IFC¹⁶⁰. Respondents linked this narrow accreditation base to weaker proposal competitiveness relative to other countries; this account reflects respondents' own professional judgment rather than an independently verified comparison of proposal approval or rejection rates across countries, which this study did not have access to.

158. Government of Pakistan, Ministry of Climate Change and Environmental Coordination, National Climate Change Policy 2021 (Islamabad, 2021), which identifies adaptation as Pakistan's principal climate priority given the country's exposure to floods, droughts, and heatwaves.

159. Ibid. (Finance Division, Budget in Brief and Climate Change Budget Tagging Statements, FY2023-24 to FY2026-27).

160. Green Climate Fund, 'Pakistan', Country Program page, green climate fund/countries/pakistan (accessed 2026); see also JS Bank, press release, 3 March 2019, and National Rural Support Program, 'NRSP's Partnership with GCF & MoCC'. JS Bank and NRSP are, as of this writing, Pakistan's only two GCF-accredited national Direct Access Entities; other Pakistani institutions access GCF resources through international intermediaries such as UNDP, ADB, or IFC.

Third, respondents described international pledges made after a disaster as often not arriving in full, being disbursed through NGOs and UN agencies rather than directly to government institutions, and requiring counterpart (matching) financing from Pakistan's own budget. This account is drawn from interview testimony rather than a systematic reconciliation of pledged-versus-disbursed amounts by donor, which would require donor-level disclosure this study did not have access to; it is reported here as a recurring perception among the officials most directly involved in negotiating this financing, not as an audited figure.

Fourth, respondents pointed to weak data quality and documentation practices as undermining international donors' trust in Pakistani institutions. Fifth, financing decisions, including whether to launch an international disaster appeal, are shaped as much by political-economy considerations as by technical assessments of need, even as Pakistan's own diplomatic leadership in establishing the Loss and Damage Fund at COP27 remains a significantly underused asset.

WHY THIS MATTERS FOR THE NEW REGIONAL ORDER

Pakistan's plans to strengthen regional trade links, secure its energy supply, and grow its industries will only be as resilient as the fiscal ground beneath them. Climate-induced disasters such as floods do not distinguish between highways, factories, farmland, or power infrastructure; they damage all of them at once, at both economic and environmental cost. Funds spent repairing damaged infrastructure after a disaster are funds unavailable for the new industry, innovation, and connectivity infrastructure this regional order is meant to deliver. Treating climate and disaster risk financing as basic economic infrastructure on the same footing as energy security or trade corridors is therefore not a separate agenda from economic resilience, but a precondition for it.

THE WAY FORWARD

The pattern documented above is not primarily a shortage of goodwill or awareness among officials; it is a financing system that has not been built, end to end, to work proactively. Any reform agenda, however, has to reckon honestly with Pakistan's fiscal position: mark-up (interest) payments alone consumed PKR 8,054 billion of the PKR 18,771 billion FY2026-27 budget 43 percent and the government's own standing contingency line for natural disasters, the 'Provision for Emergency and Others,' is set at just PKR 20 billion a year¹⁶¹. While an active IMF program requires the government to hold a primary surplus rather than take on large new open-ended commitments. The five reforms below are therefore assessed not only on what they would achieve but on whether they are realistic under these constraints; none requires building an entirely new institution from zero, and several are designed to be fiscally neutral or low-cost precisely because large new domestic funding is not currently available.

Protected national resilience fund. A National Climate and Disaster Resilience Fund, established by an Act of Parliament, led by the Ministry of Finance, with an NDRMF similar to Bangladesh's Climate Change Trust Fund, so money is available before disasters, not reallocated after. Funding: ring-fenced share of the new Climate Support Levy, plus reallocated disaster-tagged funds and donor co-financing, not a new fixed budget line. Timeline: legislated in 12 months, operational in 24. Safeguard: annual Auditor-General audit, disclosed in the Budget in Brief.

Minimum adaptation budget share. Amend the Pakistan Climate Change Act 2017 to guarantee adaptation's share of the climate budget, correcting the current tilt toward mitigation.

161. Government of Pakistan, Finance Division, Budget in Brief, FY2026-27 (Islamabad: Ministry of Finance), Table 1 ('Budget at a Glance') and Table 10 ('Current Expenditures'), showing mark-up (interest) payments of PKR 8,054 billion against a total federal budget outlay of PKR 18,771 billion, and a standing 'Provision for Emergency and Others' of PKR 20 billion earmarked for natural disasters, of which PKR 15 billion was earmarked in the FY2024-25 and FY2025-26 editions of the same document. The FY2026-27 edition separately reports a newly introduced 'Climate Support Levy' as a non-tax revenue line (Table 5).

Funding: reallocation within the existing climate budget; no new money needed; this formalizes a shift already underway (mitigation fell from 84% to 58% of the climate budget between FY2025-26 and FY2026-27). Timeline: amended in 12 months, enforced from the next budget cycle. Safeguard: verified annually via the Climate Change Budget Tagging Statement.

One costed national strategy. A single National Climate and Disaster Finance Strategy, jointly built by the Ministry of Climate Change and the Ministry of Finance, Cabinet-approved, stating what resilience actually costs and where the money comes from. Funding: donor-funded technical assistance (e.g., GCF Readiness support), not the exchequer, so it doesn't compete with IMF fiscal targets. Timeline: drafted in 12 months, approved in 18. Safeguard: mid-term review by the Council of Common Interest.

One team in charge. A standing Coordination Committee (PM Office) and a permanent Climate Finance Unit (Ministry of Finance), ending reliance on informal coordination between NDMA, NDRMF, Climate Change, Planning, and Finance. Funding: absorbed into existing ministry budgets; Unit staffed via secondment, not new hiring, near-zero cost. Timeline: operational in 6 months. Safeguard: quarterly minutes published, annual report to Cabinet.

A real three-layer safety net. Turn the 2013 National Disaster Risk Reduction Policy's three-layer plan into something funded and dated, led by NDMA and Finance. Funding, sequenced by cost: a reserve built from already-budgeted funds (no new cost); a contingent credit line like the World Bank's CAT-DDO (zero cost until drawn); insurance/catastrophe bonds feasibility study first, not a purchase, since premiums are a real recurring cost. Timeline: feasibility study in 12 months, full system in 3 years. Safeguard: independent actuarial review, annual NDMA disclosure.

Economic growth, energy security, and regional connectivity are closely linked, but so too is a further factor Pakistan must prepare for and pay for: climate and disaster risk. Disasters such as floods, heatwaves, and droughts damage infrastructure and ecosystems and cost lives in ways that directly impede economic growth. Preparing for and financing climate and disaster risk in advance, rather than after the fact, is accordingly a precondition for, not a departure from, an economically resilient Pakistan.

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