

## EXPLAINER

# Creating a Not-for-Profit Fund for Disaster Risk Management

*In Pakistan, a multi-donor fund was set up to help finance priority investments in disaster risk management.*

## Introduction

Pakistan is working with its development partners to enhance its fiscal resilience against natural hazards by putting in place financing mechanisms and instruments to minimize losses from future disasters. With assistance from the Asian Development Bank (ADB), the government set up a multi-donor fund to strengthen its ability to respond quickly to disasters.

In an interview, Nadeem Ahmad, chief executive officer of the National Disaster Risk Management Fund (NDRMF), talks about how this initiative may be used as a model by other climate vulnerable countries in Asia and the Pacific.

## How did the National Disaster Risk Management Fund (NDRMF) come about?

Pakistan as you know is one of the disaster-prone countries in the region. Over the past few years, we have had cyclones, droughts, floods, earthquakes, glacier outburst, and we had lots of landslides in the northern areas of Pakistan. If you look at the country's disaster profile, it's extremely bad. In 2005, Pakistan was struck by a huge earthquake, which affected nine districts. Then in 2010, we suffered the biggest ever flood in our history, which impacted about 20 million people.

While we were sitting down and looking at how to handle such large-scale disasters, we realized we were not investing in risk reduction. All the money that comes in goes into disaster response. We started talking to international and bilateral donors that instead of funding the response, you should look at ex-ante funding. If the funds are available to the government, then we can invest in reducing the risk. I think this idea got traction with a lot of donors. ADB specifically took the lead in creating a National Disaster Risk Management Fund in Pakistan.

## NDRMF is putting a lot of focus on risk reduction. How will you address the residual risk?

This fund is going to do two major things. First, it's going to look at disaster risk reduction and look at all infrastructure that are vulnerable. Through different implementing partners, which can be from the government, the United Nations agencies, as well as international NGOs, it will do the mitigation work to reduce the risk.

Second, we introduce disaster risk financing to transfer residual risks that cannot be mitigated. There can be different instruments, such as insurance and catastrophic bonds.

## What is the overall NDRMF strategy and source of funds?

ADB has given us \$200 million. The Government of Pakistan has provided counterpart funding of \$25 million; the Australian government has given \$3.4 million; and the Swiss government, \$1.5 million. In addition, the French government and Norwegian government may also provide assistance.

ADB has promised to help support the fund for the initial 3 years. We have created an endowment fund amounting to \$123 million, which after 3 years will start to give us \$8 million to \$10 million every year. Part of the amount will go to sustaining the institution and another part will either fund some of the projects or it can be brought back as savings.

If we can run this program effectively, transparently, and efficiently, there will be better traction from the donors once they see projects on the ground.

There are two basic documents: the National Disaster Management Plan and the National Flood Protection Plan, which take a 10-year look on the entire disaster management spectrum in Pakistan, from climate change to flood risk to earthquake risk. All the implementing partners can pick a project from these two documents, which are integrated in a manner that there is no overlap. That will carry us through the next 10 years. Within those projects, in addition to the NDRMF, the Federal Government of Pakistan and the provincial governments can also fund some of the projects. The government has already committed to contributing about 1% of the budget to disaster risk reduction projects. We feel, that in the next 10 years, we will have to fund about \$155 million every year, to reach that goal of completing all the projects identified in these two documents.

## What advise can you give to other disaster-prone countries?

Through the NDRMF, the Government of Pakistan can fund UN agencies and NGOs, which was not done before. Inclusion of UN agencies and international NGOs allow you deeper penetration to work in communities. At the end of the day, you get better coverage for risk reduction.

The NDRMF was registered as an independent corporate entity under section 42 of the Company Act. It has its own governing board, where you can make a quick decision. It has prioritized certain interventions. This provides a very good model for other countries to follow.

With a bit of financing from ADB and counterpart financing from countries, NDRMF Pakistan is willing to share its own experiences with these countries. If we can share those experiences, probably their learning curve will be much shorter. They could learn the whole process in a short timeframe.

The Asia–Pacific is a disaster-prone region. If we have something like the NDRMF, we will reduce the risk and be able to save the lives of people, big-time.

## Resources

Asian Development Bank. 2018. Regional Forum on Strengthening the Enabling Environment for Disaster Risk Financing: Options for Enhancing Financial Resilience. 25–26 September. Manila, Philippines.



**Nadeem Ahmed**

Chief Executive Officer, National Disaster Risk Management Fund, Pakistan

Retired Lieutenant General Nadeem Ahmed is responsible for enhancing Pakistan's risk resilience against natural disasters and climate change impacts. He has extensive experience in the military,

development sector (especially disaster risk management) and petroleum industry. He has managed large-scale natural disasters and complex emergencies through all its phases: from pre-disaster to post-disaster stage.

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