

DEBT PAUSE CLAUSES



About the Centre for Disaster Protection

The Centre for Disaster Protection works to prevent disasters devastating lives, by helping people, countries, and organisations change how they plan and pay for disasters. The Centre is funded with UK aid through the UK government.

Acknowledgements

The Centre is grateful to the representatives from the multilateral development banks and the official bilateral creditors (Governments of Canada and United Kingdom) who reviewed or provided inputs for this note.

This note was compiled by Shakira Mustapha and Darshni Nagaria.

Suggested citation

Centre for Disaster Protection. (2026). Disaster Risk Financing Term Sheet: Debt Pause Clauses. Centre for Disaster Protection, London.

DAI provides the operational and administrative platform for the Centre's delivery and is a key implementing partner. DAI Global UK is registered in England: 01858644. 3rd Floor, One Smarts Place, London, United Kingdom, WC2B 5LW

Disaster Risk Financing Term Sheets is a series of practical notes that summarises the key terms and conditions of a specific instrument available to governments in the international system. The series is designed to support governments and other practitioners in understanding and comparing instruments. The Centre for Disaster Protection aims to update these notes annually. The information is provided in good faith but may be out of date at the time of reading. While the Centre for Disaster Protection does provide advice to countries on instruments covered in this term sheet, this note should not be interpreted as constituting financial or legal advice.

INTRODUCTION

What is a debt pause clause?

A debt pause clause – also known as a climate resilient debt clause, natural disaster¹ clause or hurricane clause – is one of the newest additions to the disaster risk finance toolkit. Unlike other disaster risk financing instruments such as a contingent loan or grant, a debt pause clause does not provide new financing when triggered. Instead, it is a provision in sovereign debt contracts that enables the borrower to temporarily stop repaying debt service (interest, principal or both) for a pre-agreed period when a predefined event occurs. The borrower can then use the freed fiscal space to respond to the shock. The deferred payments are then repaid once the pre-agreed deferral period ends. Interest continues to accrue during the “pause” period and is eventually added to the total repayment amount.

This note covers the key terms and conditions of the debt pause clause available to governments from six Multilateral Development Banks (MDBs) as of March 2026 – the Asian Development Bank (ADB), Development Bank of Latin America and the Caribbean (CAF), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IDB) and World Bank (WB) – as well as from three official bilateral creditors – the Government of Canada, Government of Japan and Government of the United Kingdom.

Note: *Other creditors are in the process of designing these clauses and some are offering these clauses. The details of these clauses from other creditors were unavailable for inclusion in this note. Some creditors covered in this note are also planning to review their debt pause offer and may update the terms, as relevant.*

Figure 1: Creditors offering debt pause clauses and covered in this note

MULTILATERAL DEVELOPMENT BANK	OFFICIAL BILATERAL CREDITOR
<ul style="list-style-type: none"> ● Asian Development Bank (ADB) ● Development Bank of Latin America and the Caribbean (CAF) ● European Bank for Reconstruction and Development (EBRD) ● European Investment Bank (EIB) ● Inter-American Development Bank (IDB) ● World Bank 	<ul style="list-style-type: none"> ● Government of Canada <i>(Global Affairs Canada [GAC] and Export Development Canada [EDC])</i> ● Government of Japan <i>(Japan International Cooperation Agency [JICA])</i> ● Government of United Kingdom <i>(UK Export Finance [UKEF])</i>

¹ The Centre for Disaster Protection generally avoids the term “natural disaster”. While hazards may be natural, disasters are shaped by human decisions and actions. In this document the term is used where necessary to reflect the language of external providers and source materials.

Figure 2: Key terms and conditions of debt pause clauses

	<h3>Eligibility and Approval Criteria</h3> <ul style="list-style-type: none">● Eligible countries● Eligible level of government● Eligible loans (new or existing)● Pre-requisites for inclusion in loan● Eligible payments for deferral
	<h3>Pricing and Repayment Terms</h3> <ul style="list-style-type: none">● Activation fee● Interest on deferred amounts● Extension of final maturity date● Repayment terms of deferred payments
	<h3>Scope of Deferral</h3> <ul style="list-style-type: none">● Type of deferral events● Type of trigger● Maximum number of deferral requests over tenor of loan● Maximum duration of deferral period

Product notes and policy papers

This section provides links to the official product notes and/or policy papers from the providers of debt pause clauses, where available.

1. Asian Development Bank. Terms and Conditions of the Debt Deferral Clause. <https://www.adb.org/sites/default/files/linked-documents/terms-conditions-debt-deferral-clause.pdf> (March 2026).
2. Inter-America Development Bank. Flexible Financing Facility (FFF) Principal Payment Option (PPO). [IDB | Financial Conditions](#) (no date).
3. Ministry of Finance, Japan. Japan launches a pilot program of the Climate Resilient Debt Clause (CRDC). Press Release. https://www.mof.go.jp/english/policy/international_policy/oda/index.html (November 2024).
4. UK Export Finance. Guidance–Climate Resilient Debt Clauses. [Climate Resilient Debt Clauses - GOV.UK](#) (June 2023).
5. World Bank. Climate Resilient Debt Clause (CRDC) Product Note. [CRDC-Product-note-EN.pdf](#) (November 2024).

1: ELIGIBILITY AND APPROVAL CRITERIA

This section identifies the borrowing countries and level of governments eligible to access the instrument and, for those that qualify, sets out the additional criteria required for approval. It also specifies the types of loans in which the clause can be included and the categories of debt payments that may be deferred (principal, interest and loan charges).

Table 1: Eligibility and approval criteria for debt pause clauses



	Eligible countries	Eligible level of government	Eligible loans (new or existing)	Prerequisites for inclusion in loan	Eligible payments for deferral
ADB	ADB small island members ² and Bhutan	National and sovereign-guaranteed	New loans and existing loans (with remaining repayment period of at least 5 years)	<ul style="list-style-type: none"> Not undergoing any debt restructuring with other lenders <i>and</i> Be current on ADB debt service 	Principal repayments and/or interest and other loan charges <i>If bullet repayment, interest and other loan charges only</i>
CAF	CAF Caribbean member countries ³	National	New loans only	<ul style="list-style-type: none"> None 	Principal repayments only
EBRD	Lower-middle-income countries ⁴	National, sovereign-guaranteed, and municipal (cities and regions)	New loans only	<ul style="list-style-type: none"> Only applicable to loans denominated in hard currency in transactions where EBRD is the sole lender 	Principal repayments only
EIB	By default, small island members, but criteria still under definition	National and subnational	New loans only	<ul style="list-style-type: none"> Be current on EIB debt service 	Principal repayments only

continued >

2 The Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, Maldives, the Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Timor-Leste, Tonga, Tuvalu, and Vanuatu.

3 Antigua and Barbuda, Bahamas, Barbados, Dominica, Dominican Republic, Grenada, Jamaica, and Trinidad and Tobago.

4 Based on World Bank classification at the time of approval.



Table 1: Eligibility and approval criteria for debt pause clauses (continued)

	Eligible countries	Eligible level of government	Eligible loans (new or existing)	Prerequisites for inclusion in loan	Eligible payments for deferral
IDB	All IDB member countries	National	New and existing loans (with remaining repayment period of at least 5 years)	<ul style="list-style-type: none"> • Must have a current Contingent Credit Facility (CCF) for natural disaster emergencies, which includes coverage for at least one parametric natural disaster event <i>and</i> • Flexible financing facility Investment and Policy-Based Loans denominated in USD 	Principal repayments only
World Bank	World Bank small island members ⁵	National	New and existing loans (with remaining repayment period of at least 5 years)	<ul style="list-style-type: none"> • Not undergoing any debt restructuring with other lenders <i>and</i> • Be current on World Bank debt service 	Principal repayments and/or interest and other loan charges
Government of Canada (GAC and EDC)	EDC: Small island countries ⁶	National	New loans only	<ul style="list-style-type: none"> • Direct lending only (not applicable to guarantees) • Be current on EDC debt service 	Principal repayments and interest
Government of Japan (JICA)	16 eligible countries (mostly small island) ⁷	National	New	<ul style="list-style-type: none"> • Concessional loans (yen) 	Principal repayments and interest
Government of the United Kingdom (UKEF)	Low-income countries ⁸ and small island countries ⁹	National	New and existing loans	<ul style="list-style-type: none"> • Direct lending only (not applicable to guarantees and short-term lending with maturities less than 12 months) 	Principal repayments and interest

5 Full list of countries here: <https://thedocs.worldbank.org/en/doc/6857abe91ef32973cfab7f689e9f00fe-0340012023/original/CRDC-Product-note-EN.pdf>

6 Same as the World Bank's list of countries.

7 Kiribati, Samoa, the Solomon Islands, Tuvalu, Tonga, Vanuatu, Nauru, Niue, Papua New Guinea, Palau, Timor-Leste, Fiji, Marshall Islands, the Federated States of Micronesia, Maldives, and Bhutan.

8 The borrower meets any one of the following three criteria: (a) eligible for finance under the International Monetary Fund's Poverty Reduction and Growth Trust; (b) eligible for finance under the World Bank International Development Association window; or (c) classified as a Least Developed Country by the United Nations.

9 Based on the list of Small Island Developing States maintained by the United Nations. https://sdgs.un.org/topics/small-island-developing-states#list_of_sids

2: PRICING AND REPAYMENT TERMS

This section looks at the financial costs of using debt pause clauses. In certain cases, governments are required to pay an activation fee to include the clause within a loan agreement. There is no fee to trigger a clause when an eligible event occurs. However, once the clause is triggered, any deferred payments may also accrue additional interest generally calculated using the loan's original interest rate.

Table 2: Pricing and repayment terms for debt pause clauses



	Activation fee	Interest on deferred amounts	Extension of final maturity date	Repayment terms of deferred payments
ADB	None	Yes	No	Deferred principal and/or interest payments and other loan charges will be repaid according to a modified amortisation schedule that maintains net present value neutrality and the loan's average maturity. Deferred interest may be capitalised for repayment after the deferral period. For fully disbursed loans, the borrower may choose to amortise deferred interest using the same method applied to the revised principal repayment schedule.
CAF	3 basis points per annum	Yes	No	Deferred principal repayments are repaid according to a modified amortisation schedule.
EBRD	5 basis points per annum	Yes	No	Deferred principal repayments are capitalised and repaid pro rata over the remaining term of the loan.
EIB	5 basis points per annum	Yes	No	Deferred principal repayments are repaid according to a modified amortisation schedule that maintains net present value neutrality.
IDB	5 basis points per annum	Yes	No	Deferred principal repayments are repaid according to a modified amortisation schedule that maintains the original average weighted maturity of the loan. ¹⁰
World Bank	5 basis points per annum (but not charged to the borrower) ¹¹	Yes	No	Deferred amounts are repaid according to modified amortisation schedule that maintains net present value neutrality and the original average weighted maturity of the loan.

continued >

¹⁰ This is a mathematical formula that allows comparing –from a cash flow perspective – the equivalence of different types of amortisation schedules.

¹¹ Instead it is recovered by the World Bank from other resources (such as donor-funded trust funds).



Table 2: Pricing and repayment terms for debt pause clauses (continued)

	Activation fee	Interest on deferred amounts	Extension of final maturity date	Repayment terms of deferred payments
Government of Canada (GAC and EDC)	5 basis points (at loan origination)	Yes	No	To ensure net present value neutrality, interest accrues on the deferred amount, using existing loan rates. During the deferral period, only the interest accruing on the deferred amount shall be paid on scheduled payment dates. Following the end of each deferral period, the regular payment schedule shall resume. The deferred amount is repaid pro rata over the remaining term of the original loan.
Government of Japan (JICA)	None	Yes	No	Deferred principal and interest payments will be restructured with the loan's average maturity unchanged.
Government of the United Kingdom (UKEF)	None	Yes	Yes	Deferred amounts are repaid according to a modified amortisation schedule chosen by the borrower government that maintains net present value neutrality. The repayment profile must not exceed 5 years following a 1-year grace period, and the repayment dates must fall on the same calendar dates as the repayment dates of the original loan. Interest is due on deferred amounts during the grace period.

3: SCOPE OF DEFERRAL

This section sets out the rules governing the triggering of a debt pause clause, including the types of events that can trigger it, how those events are measured, the timing at which a government can submit a deferral request and the maximum duration for which debt payments may be deferred.



Table 3: Deferral rules for debt pause clauses

	Type of deferral events	Type of trigger	Maximum number of deferral requests over tenor of loan	Maximum duration of deferral period
ADB	Natural hazard events and public health emergencies (due to biological events)	Typically the country's declaration of a state of emergency (non-parametric) ¹²	Once	Up to 2 years
CAF	Specified natural disasters (namely earthquakes and tropical cyclones) and public health emergencies (due to biological events)	<i>Combined</i> <ul style="list-style-type: none"> Typically the country's declaration of a state of emergency (non-parametric) <i>and</i> A measure of disaster (parametric) 	Once (until 4 years before the maturity date)	Up to 2 years
EBRD	Floods, droughts, and earthquakes	Typically the country's declaration of a state of emergency (non-parametric) ¹³	Once (until 3 years before the maturity date)	2 years fixed
EIB	Under review	Under review	Once (until 5 years before the maturity date)	Up to 2 years
IDB	Natural disasters	<i>Combined</i> <ul style="list-style-type: none"> Typically the country's declaration of an emergency (non-parametric) <i>and</i> A measure of disaster (parametric) 	Once (from 12 months before the first amortisation date, or 60 days before the expiration of the original disbursement period, whichever occurs later, and until 5 years before the maturity date)	2 years
World Bank	Natural disasters and public health emergencies (due to biological events)	Typically the country's declaration of a state of emergency (non-parametric)	Once (between the first regularly scheduled loan repayment and until 5 years before the maturity date)	Up to 2 years

continued >

12 The deferral request should be submitted within 90 days following the declaration of a state of emergency.

13 The deferral request should be submitted within 90 days of occurrence of the eligible event.



Table 3: Deferral rules for debt pause clauses (continued)

	Type of deferral events	Type of trigger	Maximum number of deferral requests over tenor of loan	Maximum duration of deferral period
Government of Canada (GAC and EDC)	<ul style="list-style-type: none"> ● GAC: natural disasters and public health emergencies at GAC's discretion ● EDC: tropical cyclones and earthquakes 	At the discretion of GAC or EDC based on an impact assessment of a crisis on that government's ability to repay the loan	Once in any 12-month period with a maximum of two deferral requests over the term of the loan	1 year
Government of Japan (JICA)	Tropical cyclones and earthquakes	Parametric ¹⁴	<i>Not available</i>	Up to 2 years
Government of the United Kingdom (UKEF)	Large range of natural disasters and anthropogenic environmental shocks	At the discretion of UKEF based on an impact assessment of a crisis on that government's ability to repay the loan	Once in any 12-month period with a maximum of two deferral requests over the term of the loan	1 year

14 Tropical cyclones: Based on reported maximum sustained wind speed of 178 km/hour (1-minute average) or 119 km/hour (10-minute average), which is equivalent to internationally used Category 3 or higher on a 5-level scale according to the speed of sustained winds. Earthquakes: Based on a reported moment magnitude of 7.0 or greater and a reported depth of 175 km or less.

Contact information

WeWork
51 Eastcheap
EC3M 1DT
United Kingdom

✉ info@disasterprotection.org

🌐 disasterprotection.org

