

WHAT GOVERNMENTS WANT FROM PRE-ARRANGED FINANCING: EVIDENCE FROM AFRICA AND THE CARIBBEAN



POLICY BRIEF

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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.

About this policy brief

This paper brings together insights from two country-level studies in the Country Perspectives on Pre-Arranged Financing series: Kramer et al. (2026), covering Kenya, Malawi, Nigeria, Senegal and Zambia, led by the International Food Policy Research Institute (IFPRI), and Mohan et al. (2026), covering Belize, Grenada and Jamaica, led by the University of the West Indies' Sir Arthur Lewis Institute of Social and Economic Studies (UWI).

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SUMMARY

Disasters are striking more often and hitting harder, draining public finances and threatening to undo years of development gains. Pre-arranged financing (PAF) has become an essential tool for fiscal resilience and fast response when disasters strike. Yet in many lower-income and climate-vulnerable countries, uptake and effectiveness remain limited. This is partly because what governments want and what providers offer do not fully align.

To help close that gap, the Centre for Disaster Protection (the Centre) partnered with the International Food Policy Research Institute (IFPRI) and the University of the West Indies' Sir Arthur Lewis Institute of Social and Economic Studies (UWI) to conduct the first cross-country study of what governments want from PAF. Drawing on insights from nearly 250 government officials and national stakeholders across eight countries in Africa and the Caribbean, the study provides the most robust evidence yet on the attributes governments value and the trade-offs they will accept. These findings are especially valuable at a moment when development partners are prioritising partnerships that put countries and communities at the centre of solutions.

Four key findings emerge:

1. Government officials value most the features that prevent an instrument from failing them when a disaster strikes: speed, flexibility, and broad coverage. Slow payout decisions, narrowly defined coverage (in terms of eligible disasters), triggers that miss real disasters, and rigid rules on how money can be spent are seen as critical design flaws that undermine that reliability. Where trust is weak, governments often stack instruments defensively to hedge their bets, rather than layering them by design.
2. Government preferences are shaped by the broader fiscal environment, particularly debt levels. Demand for PAF is lowest among the countries that are most fiscally constrained. Such countries, grappling with significant debt burdens, have the most to lose from PAF that might not work for some disasters. They are also typically reluctant to adopt PAF instruments that increase debt when triggered, instead prioritising non-debt options. In contrast, countries with fiscal space and sustainable debt burdens

often view contingent loans as a valuable source of emergency liquidity, especially if they are cheaper and faster than new borrowing (arranged ex-post).

3. Preferences within governments are not uniform. Finance ministries, especially where budgets are tight, focus on cost and debt implications; frontline agencies focus on getting help to affected communities fast. When finance ministries dominate decision-making processes, the needs of the most vulnerable people can be missed.
4. Government officials recognise that the effectiveness of PAF depends on how effectively payouts are used. They want quick payouts to translate into timely support for affected communities and sectors, and thus see the importance of establishing the underlying systems and processes before a disaster strikes. This includes emergency procurement, contingency planning and institutional arrangements.

The research underscores the need to shift towards PAF that is country-owned, inclusive, and based on evidence of what countries value. The recommendations are that providers should:

1. Work with governments to make PAF fast and reliable, diagnosing where existing and new instruments fall short. Particular attention should be paid to more reliable triggers, more comprehensive protection, and a workable balance between flexibility and accountability in how payouts are used.
2. Work with development partners to ensure that their financing does not aggravate underlying debt issues, and to tailor solutions to the different fiscal realities of recipient countries.
3. Take a more deliberate approach to inclusivity, setting out how different national stakeholders, both inside and outside government, can take part in different stages of the process for shaping instruments.
4. Partner with governments to strengthen the disaster planning and response systems PAF relies on, through coordinated, context-appropriate support and, where budgets are tight, through grants rather than loans.

1. SETTING THE SCENE AND RESEARCH RATIONALE

Countries around the world are confronting disasters that are becoming more frequent and severe, driven in large part by the accelerating impacts of climate change. These shocks trigger immediate humanitarian needs, disrupt economies, erode public revenues, and strain already limited fiscal space. To protect development gains and safeguard budgets, pre-arranged financing (PAF) is fast becoming an essential tool for countries. Recent experiences in Jamaica¹ demonstrate that well-designed PAF can deliver rapid, reliable funding when disasters strike, reduce fiscal volatility, and strengthen national resilience in a cost-effective, proactive way.

The past decade has seen notable progress, with governments increasingly drawing on an expanding set of PAF tools and achieving unprecedented coverage in recent years (Centre for Disaster Protection, 2026a). However, in many lower-income and climate vulnerable countries, the adoption and effective use of pre-arranged disaster financing continues to lag. A key challenge is the potential mismatch between what governments need and what PAF providers supply. PAF is often seen as provider-driven, with little known about country preferences or how they influence the instruments on offer. But with growing experience across many settings, governments are increasingly able to define their priorities clearly – what works for them and what does not. This creates a critical opportunity: recipients can now engage providers more confidently, pushing for PAF solutions that are truly country-owned and aligned with national priorities. While this shift is already visible in some contexts, progress remains uneven and far from systematic, especially in lower-income and fragile settings.

The *Country Perspectives on Pre-Arranged Financing* research project, commissioned by the Centre, sets out to contribute to this realignment in an evidence-based way. As the first cross-country study of its kind, it provides clear, rigorous insights into the needs and priorities of the governments that PAF providers were created to serve. By capturing the perspectives of 250 national actors across eight countries – most notably government officials – it reveals what they want from PAF. These insights are valuable at a moment when aid budgets are contracting, the purposes of development cooperation are being questioned, and new partnership-based approaches to development are emerging.

¹ The Government of Jamaica developed a multilayered disaster risk financing strategy designed to cushion the fiscal impact of major events such as Hurricane Melissa. With liquidity secured through these instruments, Jamaica did not need to resort to immediate post-disaster borrowing in the aftermath of Melissa.

2. APPROACH FOR GENERATING EVIDENCE-BASED INSIGHTS

This research offers the most comprehensive picture yet of what governments prioritise when arranging finance before disasters, and the trade-offs they will accept (see Box 1). It draws on granular insights from nearly 250 government officials and other key national stakeholders across eight countries in Africa and the Caribbean: Belize, Grenada, Jamaica, Kenya, Malawi, Nigeria, Senegal and Zambia. These countries were deliberately chosen to reflect a diverse mix of risk profiles, geographies, capacity levels, and experience with PAF across low- and middle-income countries. The research was carried out with IFPRI and UWI's Sir Arthur Lewis Institute of Social and Economic Studies, using a combination of quantitative and qualitative techniques.

BOX 1: OVERVIEW OF RESEARCH METHODOLOGY

IFPRI used a structured simulation of disaster risk financing decisions and related trade-offs, as well as complementary survey, to elicit policymaker preferences over key attributes of PAF systems, focusing on speed, reliability and flexibility in the financing of disaster response. Comparable evidence was collected from nearly 200 participants from Kenya, Senegal, Malawi, Nigeria and Zambia who had to make repeated financing decisions under realistic fiscal and disaster risk scenarios.

UWI drew on 50 key informant interviews and a structured documentary review across Belize, Grenada and Jamaica to explore preferences for six core PAF attributes: reliability and trigger credibility; speed to sovereign liquidity; fiscal implications; affordability and value for money; flexibility; and coverage.

3. RESEARCH FINDINGS AND POLICY RECOMMENDATIONS

Four key insights emerge from our exploration of demand-side perspectives across eight countries. Each is set out below, with what it means for PAF providers

and development partners – and what they should do about it.

3.1 Governments value most what prevents an instrument failing them

Finding and implication

Above all, governments and other stakeholders want PAF that works when they need it. The eight countries differ in fiscal position, risk profile and experience with PAF. Even so, they converge on the same short list of attributes that make an instrument work when disaster strikes: fast payouts, triggers that reliably disburse funds for a wide range of disaster scenarios, and flexibility in how the money is used.

This convergence across such different countries suggests these attributes should be treated as non-negotiable standards. Finance officials in Jamaica and Belize noted that a cheap instrument is poor value if it does not pay out quickly and reliably. A costlier instrument can be worth it if it is credible and matched to the country's risks. Policymakers in five African countries had a similar view about flexibility for large, infrequent events (IFPRI, 2026). Asked to choose, roughly 70% preferred greater flexibility to a lower cost.

Three common design flaws drive non-performance:

1. **Narrow coverage.** Some instruments cover a limited set of hazards – floods of a certain type or cyclones above a set wind speed. As hazards and vulnerabilities evolve and risk profiles shift, narrow coverage can miss the disaster that actually occurs, failing to pay out when communities are hardest hit and eroding trust in PAF.
2. **Unreliable triggers.** An instrument can fail to pay out even when a covered disaster occurs – known as basis risk. Such misses undermine public confidence and damage the reputations of governments and providers alike, especially when the trigger is too technical to explain clearly.

3. **Rigid spending rules.** Even when money arrives, tight rules on what it can be spent on and by when, can undermine its usefulness. Although these rules are meant to encourage preparedness and strengthen accountability, in practice they can impede governments from directing funds to where the need is greatest and slow decision making.

Unless governments see today's instruments as a reliable source of emergency liquidity for the shocks they worry about most, efforts to scale up PAF will stall. Some are also combining instruments to guard against uncertainty and basis risk, rather than layering them so each covers the shocks it is best suited to.

Recommendation: Providers should work with governments to make PAF fast and reliable

Most countries want PAF solutions that pay out quickly and reliably across a broad range of shocks. Providers should adapt existing and new instruments to that standard, to the greatest extent feasible by finding where instruments fall short. They should:

- analyse which hazards are covered against what countries actually face, and how to close the gaps
- review how triggers perform, paying attention to incidences of basis risk and drawing on lessons learnt about trigger design from other fields, notably the humanitarian sector
- review how quickly each step in the PAF delivery chain moves once a disaster occurs, and
- explore how attributes such as flexibility, accountability and cost trade off against one another.

This diagnosis should be conducted with governments and impartial experts, so reviews are transparent,

credible and anchored in what governments and affected communities value. For governments, identifying the attributes they care about most – and co-creating fixes

rather than receiving them – builds trust and provides entry points to create an international PAF system that serves them better.

3.2 Debt dynamics shape what governments are willing to buy

Finding and implication

Debt conditions vary significantly across countries and influence PAF preferences. Government officials' willingness to pay decreases as a country's fiscal space is reduced (IFPRI, 2026). Countries facing high debt burdens and elevated vulnerabilities have the most to lose from PAF that might not work for some disasters, and are typically reluctant to adopt PAF instruments that increase public debt when triggered (UWI, 2026). In the aftermath of a disaster, the fiscal space is further constrained by lower than expected revenues and higher than expected expenditure. Relatedly, officials may also be reluctant to use debt to finance immediate disaster response expenditures as such spending is unlikely to qualify as investment spending. This makes specific non-debt instruments attractive. Two stand out. Climate-resilient debt clauses allow a country to pause debt repayments after a disaster and redirect resources to the response. Risk-transfer tools, such as insurance, are paid for in advance of the shock, so payouts do not add to the debt stock mid-crisis.

Countries with more fiscal room tend to see it differently: they value PAF instruments even when they add to the debt stock because the perceived benefits outweigh the cost. Two factors drive that judgement. First, contingent loans from multilateral development banks and official bilateral creditors have a track record of providing reliable, fast-disbursing finance that can be deployed within days of a disaster (Mustapha and Benson, 2024). Second, the terms are usually better than those of the alternatives, especially new borrowing, and can help contain post-disaster debt pressures.

Government officials do not judge debt-based instruments as simply good or bad. What matters is whether the cost, timing, terms and strategic role of the debt align with the country's broader fiscal strategy.

Recommendation: Providers should work with development partners to ensure that their financing does not aggravate underlying debt issues and that solutions can be tailored to different fiscal realities.

Providers of PAF, with the support of development partners, should offer instruments that can be adapted to different fiscal situations, ensuring that they do not contribute to unsustainable debt. The PAF systems need to provide a mix of instruments with clear rules to ensure that governments can access tools that fit their debt position, liquidity needs, and long-term fiscal plan. Some creditors, particularly the multilateral development banks, are already doing this through their lending policies. Assessments of external debt vulnerabilities are linked to the terms of concessional financing that countries can access, with the aim of discouraging excessive accumulation of expensive debt.

However, fiscally-constrained countries face numerous challenges in fully accessing the PAF toolkit. Some concessional contingent loans and grants carry conditions – notably a macroeconomic stability requirement at the point of approval. This can automatically exclude some countries from the largest source of international PAF to date (Centre for Disaster Protection, 2026a). Moreover, while significant progress has been made in providing climate resilient debt clauses, eligibility tends to be limited to small island developing states (Centre for Disaster Protection, 2026b). In addition, these clauses have yet to be widely adopted by private creditors, who hold a substantial share of the debt stock in many climate-vulnerable countries.

Disasters don't wait for fiscal stability. All climate vulnerable countries, including those facing macroeconomic challenges, need access to PAF.

3.3 Preferences within governments are far from uniform

Finding and implication

Despite the convergence around certain attributes noted above, countries and the governments that represent

them are not single unitary actors. What officials want is partly influenced by their job. Ministry of Finance officials consistently prioritise managing the costs and fiscal implications of their PAF portfolio, given they are

responsible for safeguarding a country's fiscal stability (UWI, 2026). Frontline agencies – those dealing directly with affected communities – prioritise PAF attributes related to readiness and getting money to people and sectors quickly.

That matters because when a narrow set of actors – usually finance ministry officials – design and manage PAF, other essential perspectives risk being sidelined. The preferences of finance officials alone are no guarantee that instruments will serve those most exposed to disaster: persons with disabilities, the elderly, and children. Recipients and providers of PAF must therefore confront a fundamental question: whose preferences should shape instrument design to ensure effective solutions – and whose are shaping it today?

Recommendation: Providers should take a more deliberate approach to inclusivity when designing and reviewing instruments.

Aligning PAF solutions with country preferences is likely to require the participation of different national stakeholders across the PAF decision-making process chain – from design through to monitoring and

evaluation. Direct community engagement matters in particular since lived experience cannot be replaced by expert input (Klein, 2026). However, processes that seek to deepen inclusivity often sit in tension with efficiency.

A recent evaluation of the Global Shield against Climate Risks In-Country Process² shows the challenges in creating country-owned PAF solutions through a genuinely inclusive approach (Klein, 2026). Gaps in technical language, background knowledge and role clarity kept many national stakeholders from contributing meaningfully. With no clear guidance on what good engagement looks like at each stage, it was unclear whose voices should be included, how, and for what purpose.

Putting recipient countries in charge means acting on those lessons. There is no single model, but partners should set out clear, practical guidance on inclusivity at each stage of designing and reviewing instruments. Such guidance must also acknowledge trade-offs in time and resources, enabling context-appropriate choices that balance inclusivity with effectiveness.

3.4 An instrument is only as good as the system around it

Finding and implication

Most government officials recognised that highly valued PAF attributes such as speed and flexibility depend not only on instrument design but also on the country systems through which funds are deployed. Fast, flexible payouts count for little if procurement rules, administrative procedures, and delivery channels are ill suited to emergency spending and quick decision-making. Government officials, therefore, value development partners who work with governments to improve risk profiling, scenario planning and institutional coordination – particularly for effective responses to infrequent disasters (IFPRI, 2026).

Moreover, the fiscal implications of pre-arranged debt financing partly depend on how resources are used in practice (UWI, 2026). Borrowing spent quickly to accelerate recovery and stabilise the economy reads as prudent financial management. Delayed or wasted

spending heightens debt sustainability concerns in countries with limited fiscal space. When multiple debt and non-debt instruments are activated simultaneously, fungibility becomes critical. The priority is not to attribute each dollar to a specific instrument, but to ensure the financing system as a whole raises and spends resources effectively. This underscores the need to strengthen the disaster preparedness and response systems underpinning PAF.

Recommendation: Providers should help governments strengthen the response systems PAF relies on through coordinated, context-appropriate support and, where budgets are tight, through grants rather than loans.

Development partners should support governments in investing in preparedness, focusing on building the delivery systems needed for an effective response when a disaster strikes. Too often, technical assistance is donor-driven, short-term, and fails to reflect the local

2 The Global Shield against Climate Risks is a joint initiative of the Vulnerable Twenty (V20) Group and the Group of Seven (G7), launched at COP27 to facilitate more and better pre-arranged protection against climate and disaster related risks for vulnerable people and countries. At the heart of the Global Shield is the In-Country Process, a multi-step process through which a climate-vulnerable country articulates its priorities for PAF.

context and culture, limiting long-term sustainability and impact (Prizzon et al., 2026). It is critical that development partners shift from fragmented, donor-driven support to coordinated, tailored capacity development that empowers governments to make informed choices and deliver timely protection to vulnerable populations.

Countries are often reluctant to borrow for technical assistance or analytics, or to spend their own resources on external consultants (IEG, 2022). Yet PAF is a relatively new agenda in some countries, and civil service personnel often lack the skills needed to apply best practice. Grant financing is therefore likely to be critical in fiscally constrained countries, helping them mobilise the expertise that effective PAF requires. That expertise is most valued when it is built within government, with international expertise especially valued for addressing more complex or unpredictable disasters (IFPRI, 2026).

Ultimately, designing effective PAF strategies requires investment in disaster preparedness and response systems, using appropriate experts and instruments. Without these enabling conditions, even well-designed instruments risk falling short, delivering only partial solutions that fail to provide reliable protection when disasters strike.

4. CONCLUSION

It is tempting to assume that cost, whether direct or in terms of forgone alternatives, is what holds governments back from PAF, especially when budgets are tight, and that the fix is simply to make it cheaper. Cost does weigh heavily on finance ministries. But this research shows the picture is more nuanced in four ways:

1. What governments value most are instruments that work as expected. That means speed, reliability in the conditions that trigger payouts, and flexibility in the use of funds, not just the lowest price.
2. Preferred PAF solutions are those that are appropriate for a country's fiscal situation, particularly its level of indebtedness and fiscal framework.
3. Governments are not of one mind, and without inclusive processes, the priorities of response agencies and vulnerable groups can be overshadowed by the preferences of a small group at the centre of government.
4. The utility of PAF and its fiscal implications partly depends on the quality of the disaster preparedness and response systems around it.

Creating a functioning PAF system requires shifting to a system that is more aligned with country preferences and priorities. Providers should work with governments and other national stakeholders to identify where instruments fall short and co-create the fixes. No single instrument can do everything governments want; trade-offs are unavoidable. More reliable triggers or wider coverage may cost more in some cases. Governments that grasp these trade-offs, and the limits of what each provider can offer within its mandate and resources, can set realistic expectations and hold providers to account.

Governments have clear preferences, and evidence on these is growing. While providers have adapted some instruments in response to client feedback, this process must become more systematic rather than ad hoc to create genuinely country owned solutions.

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Cover image: Fishing boats line the shore of a fishing village in Falmouth, Jamaica.

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