



SAVING  
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LIVES

# Pre-arranged Finance for Food Security

Pre-arranged Finance (PAF) refers to the pre-positioning of financing and its release before or right after a hazard has occurred, according to pre-agreed triggers and plans. For WFP and partners, PAF unlocks faster, more predictable support for vulnerable people — enabling Anticipatory (before impact) and Early (after impact) Action. Only a small fraction of international crisis finance is pre-arranged today (around 2 percent), presenting a major opportunity for the world to shift from costly reactive approaches to efficient proactive support. WFP's vision is to **increase pre-arranged financing tenfold** by 2035, making it the default crisis financing approach for predictable and modellable risks.

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## A. WHAT IS PAF?

According to the Centre for Disaster Protection (CDP), pre-arranged financing is made available in advance of a shock. It typically combines: (1) access to liquidity (e.g., prepositioned funds, insurance, contingent credit); (2) objective, pre-defined triggers; and (3) pre-agreed implementation plans.

Examples of PAF instruments include:

- Anticipatory actions (AA) funded through trigger-based contingency funds. When a forecast-based trigger is reached, governments and humanitarian actors support the most vulnerable at-risk populations before a shock materializes.
- Parametric insurance, at the household or national level, which provide rapid payouts immediately after a shock, based on pre-defined parameters.
- Catastrophe bonds, which function similarly to parametric insurance, but mobilise additional resources from capital markets, enhancing financial protection for large-scale disasters.

## B. WHY PAF FOR FOOD SECURITY – WHY NOW?

While conflict remains the main driver of food insecurity, the climate crisis is rapidly emerging as a major threat multiplier, disproportionately affecting the most vulnerable populations. However, most weather-related shocks are of a predictable nature, meaning that we can **be proactive instead of reactive** in reducing the impacts of these shocks on the most vulnerable populations.

Yet, the crisis protection gap keeps growing. By crisis protection gap, we mean a systemic shortfall in proactive planning, risk management and financing for predictable emergencies, leaving communities, governments and

economies exposed to escalating losses and rising costs. According to CDP, of the US\$76 billion spent on crisis finance in 2022, less than 2 percent was pre-arranged. Of this already small share, only 1.4 percent reached low-income countries.<sup>1</sup> WFP wants this to change, championing a systemic shift from reactive to proactive response.

## C. HOW DOES PAF FIT INTO WFP'S WORK?

For decades, WFP has been at the forefront of designing and implementing programmes that not only respond, but also prevent shocks from turning into humanitarian crises, safeguarding the food security and nutrition of the most vulnerable populations, in collaboration with governments and local partners. The integration of PAF instruments is an important component of this approach. In the context of escalating food insecurity, growing poverty and the intensifying climate crisis, WFP is scaling up programme solutions, such as Anticipatory Actions (AA) and Disaster Risk Finance (DRF), that utilize PAF to strengthen resilience, providing financial protection and helping communities to adapt.

**Over the past 15 years, WFP has pioneered Anticipatory Action (AA) and Disaster Risk Financing (DRF).** AA focuses on actions taken *before* impacts are felt, using forecast-based triggers and pre-agreed plans. These actions include early warning dissemination, anticipatory cash transfers, and support to protect livelihoods (e.g., agricultural inputs, improved agriculture techniques or seed distribution). Financial instruments like the WFP Trust Fund and the CERF Anticipatory Action Window enable this proactive approach.

DRF, on the other hand, secures rapid liquidity *after* an event through mechanisms such as parametric insurance, sovereign risk pools,

<sup>1</sup> Centre for Disaster Protection, High-Level Panel on Closing the Protection Gap. 2025. Crisis Protection 2.0: Future-proofing our World.

contingent credit and catastrophe bonds. Together, AA and DRF form a layered approach that addresses different levels of risk severities.

Today, these programmes protect over 12 million people<sup>2</sup>, supporting them **before and**

**right after** extreme weather events, with more than US\$430 million<sup>3</sup> in pre-arranged financing. During these uncertain times, increasing pre-arranged finance is a way to provide assistance more effectively and in a manner that **maximizes every dollar spent**.

	WITHOUT PAF:	WITH PAF:	PROOF POINT:
FOR THE MOST VULNERABLE	People hit by climate shocks resort to negative coping strategies, such as skipping or reducing meals. These actions can wipe out development gains, keep people in poverty or push them back to it.	Before the shock hits, people receive anticipatory assistance – such as early warnings, anticipatory cash transfers and support to protect assets and livelihoods. These actions help mitigate the impact of the shock and are complemented by quick financial support through insurance payouts. By avoiding negative coping strategies, their food security and development gains can be preserved.	In <b>Lesotho</b> , anticipatory assistance increased the proportion of people who did not have to adopt negative livelihood coping mechanisms (e.g., selling livestock) by 12 percent, and reduced consumption-based coping mechanisms (e.g. skipping meals) by 2.4 points.
FOR PEOPLE'S LIVELIHOODS	In hazard-prone settings, smallholder farmers and pastoralists typically do not invest in their livelihoods due to the high risk of climate shocks impacting the agricultural and pastoralist sectors.	Investments in agricultural and pastoralist livelihoods can be de-risked through climate risk insurance schemes, enabling smallholders to improve their livelihoods even in the face of increasing risk.	In <b>Bangladesh</b> , 78 percent of farmers with access to inclusive risk financing utilized their payouts for productive activities, such as acquiring agricultural inputs, investing in livestock and poultry, and planting trees, which enhanced their overall productivity.
FOR GOVERNMENTS	Governments of countries hit by shocks often draw funding away from basic public services or divert funds from development programmes, with long-term impacts on their economic growth and stability.	When hit by a shock, governments with AA mechanisms or who purchased national insurance coverage against climate risks receive dedicated funds to act prior or immediately after disasters.	Following the 2023/24 El Niño-driven drought in Southern Africa, the African regional risk pool, ARC, disbursed over US\$11 million in payouts to <b>Malawi</b> , allowing the Government and its humanitarian partners to support people in need through dedicated funding.

<sup>2</sup> Of which, more than 6.2 million people are protected with anticipatory action before extreme weather events, and 6.1million with disaster risk financing mechanisms such as insurance.

<sup>3</sup> This figure refers to the combined AA, macro and IRF: US\$72.6 million of prearranged financing for anticipatory action and US\$360 million in insurance coverage.

	WITHOUT PAF:	WITH PAF:	PROOF POINT:
FOR DONORS AND PARTNERS	A lack of resources to respond to shocks with early action can lead to rapidly increasing human and economic costs. When the situation has deteriorated, humanitarian support becomes increasingly costly.	Pre-arranged finance to anticipate and respond to shocks in a timely and effective manner brings significant cost-efficiencies, allowing for the best use of scarce global resources, while reducing humanitarian needs.	In <b>Nepal</b> , a modelled return on investment analysis over a 20-year period estimated that US\$1 invested in anticipatory action against flood could save approximately US\$35 in future emergency response costs <sup>4</sup> .

## JOIN US IN CLOSING THE PROTECTION GAP!



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<sup>4</sup> World Food Programme. (2019). Forecast-based financing in Nepal: A return on investment study. <https://www.wfp.org/publications/forecast-based-finance-nepal-return-investment-study>

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