

# **SOME ASPECTS OF FINANCING DISASTER RISK IN INDIA**

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# Financing Mechanisms for Disasters

- **Pre-Independence: famine relief manuals, suspending/writing-off land revenue**
- **Post-Independence: advance plan assistance**
- **CRF and NFCR**
- **NCCF**
- **Rescheduling of bank loans**
- **Crop insurance**

# Immediate Relief vs. Reconstruction

- **CRF and NCCF are meant for immediate relief and rehabilitation**
- **Reconstruction of assets and restoration for infrastructure, financed through:**
  - **Budgetary sources**
  - **Reallocation of plan fund**
- **Inadequacy of CRF/NCCF**
- **Diversion of resources from development expenditure**

# Gujarat Earthquake 2001

- **Loss of assets: Rs. 153 billion (US\$ 3.16 billion)**
- **Reconstruction cost: Rs. 84 billion**
- **Much more than the amount available in CRF/NCCF**
- **More than a year's Plan outlay**

# Assistance from NFCR/NCCF during recent disasters (Gujarat)

Amount in Rs. mn

S.No	Disaster	Year	Assistance Claimed from the federal govt.	Assistance received from the NFCR/NCCF
1	Heavy Rains	1997	6640	869
2	Cyclone	1998	6000	554
3	Heavy Rains	1998	2750	-
4	Cyclone	1999	950	-
5	Drought	1999-2000	7220	550
6	Drought	2000- 2001	19742	1120
7	Earthquake	2001	102566	14674
8	Drought	2002- 2003	8953	284
9	Floods	2003	2500	201

# Amount of Calamity Relief Fund (Gujarat State)

Amount in Rs. mn

Year	Gol share (75%)	GoG share (25%)	Total CRF (for GoG)	% of total Corpus of CRF	All India total of CRF
1990-1995	3187.5	1062.5	4250.5	10.57	40200
1995-2000	5511.7	1837.3	7349.0	11.65	630427
2000-2005	6688.8	2229.6	8918.4	8.10	110075.9

# Need for New Mechanisms

- **High Power Committee recommends 10 per cent of plan expenditure for mitigation activities**
- **Gujarat State DM Act envisages: promoting adequate risk-transfer, risk-sharing and cost-sharing mechanisms**
- **Gujarat State Insurance Fund**
- **Rural insurance schemes**
- **Private sector insurance**
- **Insurance of houses reconstructed after Gujarat earthquake**

# Issues to be Addressed

- **Problems of moral hazard, adverse selection and co-variability**
- **Affordability of insurance for those who need it the most**
- **Public-Private partnership; reinsurance**
- **Degree of participation by the government**
- **Innovative products such as rainfall insurance and weather insurance**
- **Micro-insurance**



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THANK YOU