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)

<table>
<thead>
<tr>
<th>S.No</th>
<th>Disaster</th>
<th>Year</th>
<th>Assistance Claimed from the federal govt.</th>
<th>Assistance received from the NFCR/NCCF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Heavy Rains</td>
<td>1997</td>
<td>6640</td>
<td>869</td>
</tr>
<tr>
<td>2</td>
<td>Cyclone</td>
<td>1998</td>
<td>6000</td>
<td>554</td>
</tr>
<tr>
<td>3</td>
<td>Heavy Rains</td>
<td>1998</td>
<td>2750</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Cyclone</td>
<td>1999</td>
<td>950</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>Drought</td>
<td>1999-2000</td>
<td>7220</td>
<td>550</td>
</tr>
<tr>
<td>6</td>
<td>Drought</td>
<td>2000-2001</td>
<td>19742</td>
<td>1120</td>
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<td>7</td>
<td>Earthquake</td>
<td>2001</td>
<td>102566</td>
<td>14674</td>
</tr>
<tr>
<td>8</td>
<td>Drought</td>
<td>2002-2003</td>
<td>8953</td>
<td>284</td>
</tr>
<tr>
<td>9</td>
<td>Floods</td>
<td>2003</td>
<td>2500</td>
<td>201</td>
</tr>
</tbody>
</table>
# Amount of Calamity Relief Fund (Gujarat State)

<table>
<thead>
<tr>
<th>Year</th>
<th>Gol share (75%)</th>
<th>GoG share (25%)</th>
<th>Total CRF (for GoG)</th>
<th>% of total Corpus of CRF</th>
<th>All India total of CRF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-1995</td>
<td>3187.5</td>
<td>1062.5</td>
<td>4250.5</td>
<td>10.57</td>
<td>40200</td>
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<tr>
<td>1995-2000</td>
<td>5511.7</td>
<td>1837.3</td>
<td>7349.0</td>
<td>11.65</td>
<td>630427</td>
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<tr>
<td>2000-2005</td>
<td>6688.8</td>
<td>2229.6</td>
<td>8918.4</td>
<td>8.10</td>
<td>110075.9</td>
</tr>
</tbody>
</table>
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
THANK YOU