UNIT 8 FUNDING ARRANGEMENTS FOR RECONSTRUCTION

Structure

8.0 LEARNING OUTCOME

After reading this Unit, you will be able to:

- Understand the requirements of reconstruction and its significance in post-disaster phase
- Discuss the nature of funding for reconstruction
- Get an overview of issues and challenges associated with funding by international agencies; and
- Tlirow light on the role of community in reconstruction and resource mobilisation.

8.1 INTRODUCTION

Reconstruction is the core concern in the disaster aftermath. A systematic and well-designed reconstruction package requires enormous financial support and resources from the governmental, non-governmental and international agencies. This Unit focuses on reconstruction, particularly from the point of view of funding arrangements. It throws light on the limited extent of resources available for reconstruction, and the different ways of resource generation. The Unit examines the major processes and considerations involved in funding for reconstruction. It also looks at the funding and resource arrangements at the national and international levels. In this context, it highlights the way disaster management projects are funded at different levels, and discusses the role of the community, which is of great significance in ensuring accountability of the agencies involved in funding.

8.2 RECONSTRUCTION REQUIREMENTS

The common characteristics of the disaster-affected site are: a sudden and violent disruption of the social system caused by the disaster aftermath, large number of distressed people in need for basic life support components such as food, clothes, shelter, medicine, etc., severe shortages of relief material and medical aid; and medium and long-term repair of physical, social and economic damage. The reconstruction efforts aim at restoring the affected structures to a condition equal to or better than what existed before the disaster. They also aim at construction of permanent housing and full restoration of basic services. The concern with reconstruction is central to developing nations where disasters are common occurrences and resources available to withstand them are always limited. Some important questions in this regard relate to:

- Conditions wherein development in general is rather neglected, disasters only aggravate the woes. The reconstruction process needs to take into account the generation of resources and address some the fundamental development concerns
- Mobilisation of resources; and
- Equitable utilisation of resources for reconstruction,

In countries wherein a balanced and just pattern of development is generally neglected, disasters only worsen the situation. In these cases, the reconstruction process needs to address some of the development concerns. A national/local disaster could have political, economic or natural causes. Such a disaster has immediate effects on food and nutrition, and if it is a slow-onset disaster, there can be long-term effects on the population, as the toll would be higher on the social and economic system.

To assess the potential immediate and long-term effects of a disaster, both quantitative and qualitative data, as well as an assessment of the likely duration of the disaster are needed. The quantitative data would include the number and characteristics of the people affected as well as the size of the disaster-affected area, Qualitative data would include assessment of the severity and nature of disruption to services and supplies, and also the likely (and actual) type of injuries to humans and livestock. These would then be combined with the assessment of the duration and the scope of a disaster.

One of the most important components of reconstruction is that of infrastructure development. An important step towards the reconstruction of infrastructure is the 'feasibility study'. The basic objective of a 'feasibility study' is to generate the data necessary to have a complete plan for reconstruction vis-à-vis its economic viability. It also helps to complete the application of formalities for construction grant for an 'infrastructure rehabilitation programme' after any disaster or even in normal times.

A 'feasibility study', for example, may be conducted for improving the water supply system in an urban area. Eligible feasibility studies include studies of proposed projects that replace, rehabilitate or restore existing damaged water distribution systems that deliver water for domestic, municipal or industrial uses. Eligible components may include pipelines, tanks, pump stations, valves, flow meters, and all other water delivery facilities. Eligible feasibility studies may also include studies of proposed projects that replace failing water distribution system components, such as tanks or pump stations, which threaten the health, safety, welfare and economy of the area relying on the system. These failing components need not be in a position of disrepair. However, the applicant must provide documentation of the component's potential for failure.

There are some special considerations in the case of a long-term disaster, as in such a situation, nutritional surveillance of the population is very important. Again, water and food are important, and as there may be a long duratidn of reliance on food relief, it is important for this food to be acceptable culturally. The priority is the food and not the nutrients. There may be a need for nutrient supplements, and requirements for certain nutrients may be increased due to the effects of malnutrition. However, the food should be what the victims are used to eating. It should be as per the climatic and cultural conditions of the affected areas.

In slow-onset' disasters, the priority groups for food distribution are the same as those for cataclysmic disasters, plus special consideration for health and nutrition needs to be paid in this regard, The treatment of malnutrition and associated secondary diseases as well as social and econoinic rehabilitation are the priority areas. Taking into account the perception of the affected community also becomes important for launching specific reconstruction projects/ programmes. Usually, people are sentimentally attached to the land where they stay and therefore have preferences for design, layout, use of material and technology in reconstruction.

Though the issue of reconstruction and the allied problems and challenges is the pertinent theme all through this Course, a mention of reconstruction requirements is made in this Unit in order to understand the financial aspects of these requirements. Where does the money come to finance these disaster management or reconstruction schemes? How does the governmental finance mobilisation generation set-up operate? What types of agencies are involved in funding for disaster reconstruction etc? We will now draw our attention to these queries.

8.3 FUNDING ARRANGEMENTS

Government at the central as well as state levels have specific schemes / strategies for providing funds for disaster management activities, be it relief, rehabilitation or reconstruction. The Calamity Relief Fund (CRF) is one such arrangement at the central level. Even though, the disbursement by the CRF is meant to supplement relief funds, a sizeable portion is earmarked for all phases of disaster management pertaining to six natural calamities namely, cyclone, drought, earthquake, flood, fire and hailstorm. Other financial arrangements include National Calamity Contingency Fund, Prime Minister's Relief Fund, and National Fund for Calamity Relief etc. Let us now take a look at these arrangements:

8.3.1 Calamity Relief Fund

The Calamity Relief Fund (CRF) is a centrally sponsored scheme of. the Government of India. The central government plans and approves every centrally sponsored scheme relating to investment or disbursement of funds in identified sectors in the states in order to achieve defined objectives. Ministry of Home Affairs of Union Government is the nodal authority for this scheme. The implementation, however, remains with the respective state governments.

The funding pattern of the CRF, as envisaged by the Ninth Finance Commission, ever since its inception in 1990-91, has been dependent on the central government. Every year, central government contributes 75 per cent of the funds for a state and the rest 25 per cent comes from the respective state governments. One of the most significant features of the CRF scheme is that the funds are to be used for meeting expenditure for the provision of immediate relief to the affected population, and the nature of expenditure should be of a short duration.

In India, the Centre's share of CRF released in 2002-03 was Rs. 1,600 crores, in 2003-04 it was Rs. 1,700 crores, and in 2004-05, it became Rs. 1,787 crores. The funds released from National Calamity Contingency (NCCF) Fund for 3 years were to the tune of Rs. 5,800 crores. Additional financial assistance is provided from the NCCF in the wake of calamity of severe nature (Parsai, 2005).

The main objectives of the CRF Scheme are to:

- Enable the states to incur requisite levels of expenditure on calamity relief
- Avoid delays in a state government's response to the damage caused by a natural calamity
- Discourage the states from inflating their demands for funds regarding relief
- Ensure against wasteful expenditure by the states
- Provide greater autonomy and responsibility to the states in relief operations; and
- Make the states more accountable for their actions in the area of calamity relief.

The CRF has been functioning well but for certain drawbacks that have been pointed out by the Draft Report on "Natural Disasters and Relief Provisions in India: Commitments and Ground Realities". As per the Report, one of the major problems with the CRF scheme is the lopsided method of determination of the CRF's size for different states. The allocations of the CRF's share to the stales (during 2000-01 to 2004-05) by the Eleventh Finance Commission (EFC) have been made, based on the ability of the states to spend the amount allocated to them. As it emerges from the analysis of the allocation, better-off states, which have incurred higher expenditure in the past, have been given higher allocations by the EFC. Yet, the increased allocations have not been able to empower the states to carry out effective relief operations.

Moreover, the CRF is limited to only six natural disasters. As per the Draft Report, the damages caused by other natural calamities such as heat wave, cold wave, landslides, avalanches and high tides every now and then cannot be ignored. There is a need to increase the quantum of allocation for relief work as well as reconstruction and rehabilitation. A part of the blame for deficiency of relief activities also, however, falls on the states. If the CRF is to play an effective role, it should be vested with responsibilities for relief in a larger sense by including measures for enabling the affected population, especially those living below the poverty line to regain normalcy.

The CRF should try to strengthen the access to livelihood, rehabilitate the entire affected population and provide for assistance to the economically backward states for repairs of public properties and buildings in the calamity-affected areas. The states need to be much more responsible in using the CRF money for the intended purposes. The method of determination of the quantum of the CRF for a state should take into account the vulnerability of a state to natural calamities, the magnitude of loss caused by calamities in the recent past, and the frequency of natural calamities in a state.

The formula for contribution to the CRF, which at present is 75:25 for the Centre and every state, needs to be changed keeping in mind the varying abilities of the different state governments to spend money on relief. A quantum raise in the allocations combined with more realistic and just distribution of the funds among the states would be worthwhile. Civil society organisations need to monitor relief work. The result of the assessment made by such groups should have a bearing on the allocation as well as release of funds to the states in the subsequent years. Before moving on to other funding arrangements, let us take a look at the funding mechanism that existed prior to the establishment of the CRF:

- **Margin Money Scheme**

The Second Finance Commission, while estimating the state's committed expenditure (for the 5 years of its recommendation period of 1955-56 to 1959-60) included in their annual revenue a margin for enabling the states to set apart sizeable sums of money for accumulation in a fund for meeting expenditure necessitated by natural calamities. This Scheme was later named the 'Margin Money Scheme'. State government had to set up separate funds and transfer the amounts calculated for each of them to such funds annually. The Margin Money Scheme was in operation all through the recommendations of Second to Eighth Finance Commissions.

The amount of assistance given from the Centre, under the Margin Money Scheme, was always far short of what the state governments actually needed. Therefore, during the occurrence of natural calamities, the state governments used to approach the Centre with a claim for immediate financial assistance for meeting the relief expenditure. At that time, the assistance amount from the Centre was determined on the basis of the assessment of damage in the affected area by the central team.

In comparison to the Margin Money Scheme, the states under the CRF now get a higher assistance from the central government for relief expenditure, and the response of the state governments to natural calamities can be quicker than before. The CRF Scheme does give greater autonomy and responsibility to the state government along with the increase in accountability for their disaster response activities. Thus, CRF scheme is definitely an improvement over the Margin Money Scheme.

- **National Fund for Calamity Relief**

The Tenth Finance Commission considered the issue of a calamity of 'rare severity'. It stated that a calamity of rare severity would be adjudged on a case-to-case basis taking into account the intensity and magnitude of the calamity, level of relief assistance required, capacity of the recipient state to tackle the problem, as well as the alternatives and flexibility available within the plans to provide relief. Once a calamity is deemed to be of rare severity, it really ought to be dealt with as a national calamity requiring assistance beyond what is envisaged in the CRF Scheme.

The Tenth Finance Commission placed the urge for national solidarity in a moment of distress on a more formal basis. The National Fund for Calamity Relief (NFCR) was to be managed by a National Calamity Relief Committee, which would have representatives from the Centre as well as the states. At the national level, it was to be managed by a sub-committee of the National Development Council. The Committee, the Finance Commission recommended, would be headed by the Union Minister of Agriculture comprising of Deputy Chairman of Planning Commission, two Union Ministers and five Chief Ministers to be nominated by the Prime Minister annually by rotation. The Eleventh Finance Commission (EFC), on the recommendation of the Ministry of Agriculture, discontinued the NFCR in its present form as it thought it had eroded the discipline and economy in expenditure.

The EFC noted that the anticipation and provision for a calamity of rare severity in terms of intensity and magnitude, prior to its happening, was impossible through the CRF or regular budgetary mechanism. It was of the opinion that it is difficult to pre-determine the extent of funds required to meet a severe calamity; additional financial support from the central government becomes necessary for such severe calamities. Assessment of damage could be undertaken by an independent body of experts. For this purpose, it recommended the establishment of a National Centre for Calamity Management (NCCM) for monitoring the natural calamities. The NCCM was assigned the task to assess whether the state will be in a position to provide relief in a specific case of calamity of severe nature from the CRF and its other resources. It spoke of crediting the surcharge collections to a separate fund known as the National Calamity Contingency Fund (NCCF).

8.3.2 Natural Calamity Contingency Fund

Another Scheme interlinked with CRF is thus that of Natural Calamity Contingency Fund (NCCF). As we mentioned, the central government set up the NCCF as per the recommendations of the Eleventh Finance Commission, replacing National Fund for Calamity Relief that existed for 5 years (between 1995 and 2000). The NCCF is a central government fund maintained for providing additional grant for incurring expenditure on relief in excess of the Centre's contribution from the CRF to that state. Such assistance is considered by the central government only when the natural calamity is of rare severity. The expenditure on a calamity relief is to be incurred as per the approved items and norms of assistance from CRF/NCCF schemes. In case, any state government exceeds the amount prescribed, as per the approved norms of'assistance, the excess expenditure is to be borne from the normal budget of the concerned state government and not from the CRF/NCCF.

8.3.3 MPLADS

Another funding arrangement called the Members of Parliament Local Area Development Scheme (MPLADS) was started in December 1993. Under the Scheme, MPs are allotted funds annually to pursue development works in their constituencies. Each MP gives a choice of works, to be undertaken in his/her constituency to the concerned District Heads, who get them implemented by following the established procedures laid down in the guidelines for the improvement of their districts under MPLADS.

Implementing agencies can either be the government bodies or Panchayati Raj Institutions (PRIs) or any other reputed NGOs that are capable of implementing the works satisfactorily. Even though, the Scheme has a lot of potential, as funds to the tune of Rs.2 crores are earmarked per constituency, the Reports of Planning Commission and the Coinptroller and Auditor General have brought out several anamolies such as overlapping of works, regional imbalances and misutilisation of funds. At the level of administration, some mechanism should be evolved so that provision of financial sanction and the administration of project can be managed at one place. This will not only ensure control over accounts, but shall also lead to speedy implementation of the projects.

There should be consistency in the provisions. Prompt action should be taken against District Collectors who fail to obtain utilisation certificate for each sanctioned instalment. There is no harm if a particular project meant for calamity preparedness is financed from MPLADS funds and the labour/salary component of the project is provided from CRF or any other Scheme. This may provide enough funds to create durable assets for disaster mitigation and preparedness without compromising on quality.

8.3.4 Prime Minister's National Relief Fund

The Prime Minister's National Relief Fund, created shortly after independence, provides immediate relief to people in distress. The Fund depends entirely on voluntary donations received from the public. The Fund renders assistance to individuals facing disaster situations. Its resources are utilised for the provision of immediate relief to the families of those killed in natural calamities like floods, cyclones and earthquakes. It also grants assistance to families affected by major disturbances, riots and accidents. Besides, the Fund extends assistance to ailing persons in order to partially defray the cost of expensive medical treatment. Over the years, lakhs of calamity-affected people have received assistance from this Fund. Apart from this, there are Chief Minister's Public Relief Fund and Chief Minister's Disasters Relief Fund in different states that are utilised for funding of disaster management works.

8.3.5 Insurance Schemes

Insurance is an important risk management technique. Insurance provisions are very crucial to meet the losses in the aftermath of disasters. The insurance cover, however, cannot be regarded as a funding arrangement for disasters. Nevertheless it does act as a funding source to meet the exigencies caused by a calamity. We need an insurance system that common people, especially the rural poor could afford. There is a need for an insurance scheme that compensates for catastrophic income losses and is easily implemented.

The Eleventh Finance Commission noted that schemes such as crop insurance could help individual farmers to recoup their losses better. Insurance brings quality consciousness in the infrastructure and also a culture of safety. It insists on following building codes, norms, guidelines, quality material in construction etc. It also enforces safety standards by bringing about accountability. In the developing countries, the coverage of insurance sector is less due to information failure, market lapses, low awareness levels, acute poverty, insufficient purchasing power, lack of interest in reaching out to the vulnerable groups, as well as public apathy to educate itself about the true risks posed by natural hazards. One major difficulty in promoting disaster insurance is that those who are at highest risk have the least capacity to pay the premium toward insurance.

Disaster insurance can also be possible through a system of micro-finance. Many Micro-finance Organisations (MFOs) are now working in disaster-prone areas. The success of MFO services following a disaster depends on timeliness and ability of the MFOs to coordinate relief organisations depending on the terms and conditions of the loans. Such MFOs are playing a significant role in many countries e.g., Bangladesh, There are also various 'Catastrophe Funds' in different countries to meet the financial burden of disasters. The insurance agency may promote a community rating system to encourage communities to go beyond the required standards of minimum safety. The incentives could be a reduction in insurance premium for policyholders within cominunities that take appropriate actions to reduce disaster losses. Let us look at the different types of insurance schemes on offer in India and other countries:

- **Swarnajayanti Gram Swarozgar Yojana**

This Scheme was launched in India on April 1, 1999. It aims at establishing a large number of micro-enterprises in rural! areas, building upon the potential of the rural poor. The Scheme is yet to meet the objectives it had set for itself due to lack of awareness on the part on villagers and lack of will on the part of district administration.

- **National Agricultural Insurance Scheme**

This Scheme is available to all farmers-loanees and non-loanees, irrespective of the size of their holdings. It envisages coverage of all food crops and aims at providing insurance coverage and financial support to the farmers in the event of a failure of any of the notified crops as a result of natural calamities, pests and diseases: The Scheme encourages the farmers to adopt progressive farming practices, high value inputs and higher technology in agriculture. These types of Schemes, if promoted by the government, could help in stabilising farm incomes, particularly in disaster years.

- **Seed Crop Insurance**

A pilot scheme of Seed Crop Insurance has been launched to cover the risk factor involved in production of seeds. The Scheme is yet to be implemented on a wider scale. The High Powered Committee (HPC) observed that grameen cattle and crop insurance are limited, ad *hoc* and scattered in scale, which needs to be corrected.

- **Kisan Credit Card**

A record number of 5,939,318 Kisan Credit Cards have been issued till March 2000, providing flexibility and security in the flow of agriculture credit system. The Credit Card. Scheme has benefitted a large number of farmers, but more awareness generation is required to promote the Scheme.

- **SEWA Insurance**

A cooperative group, Self-Employed Women's Association (SEWA) started its own Insurance Unit called Vimo SEWA, which insures women for life, health, assets, widowhood and accidents. The Scheme is a huge success in most parts of Gujarat.

- **Insurance Pools**

An often-used concept in natural disaster insurance schemes is the insurance pool, which involves every company to participate in disaster losses in proportion to its market share in premiums. This concept ensures that companies avoid being too badly hit or even going bankrupt because of a disproportionately high loss burden from specific events. Such pools are operational in Switzerland, France and Spain and are sometimes supported by the State reinsurance. They are also being considered in several other countries in Europe, Latin America and Asia. The Turkish Catastrophe Insurance Pool represents an innovative concept for a less developed market place where code enforcement is to be linked to the availability of insurance protection and/or governmental disaster assistance. There is also a National Disaster Insurance Scheme in Honduras, which addresses low-cost housing, public insurance and crop insurance.

There is a need to create awareness on insurance schemes. Hazards should be announced, notified and publicly displayed so that people could be dissuaded from settling down in vulnerable areas and insurance needs to be made mandatory in disaster-prone areas. Premiums can be charged on the basis of intensity of risk involved. Since many areas are inultihazard-prone, there should be conducive insurance provisions. Incentives need to be provided to insurers who have followed building codes and other prescribed guidelines prevailing in the area. The services of panchayats, local bodies, cooperative banks, and post offices could be used by insurance agencies.

Government should also make provisions to incorporate identity cards, insurance policy number etc., to create awareness and also facilitate insurance-oriented information. The landless, shelterless, assetless and underprivileged people need to be insured by the government on a tapering basis. It should be ensured that there are policies for personal property as well as 'disaster-oriented schemes. comprehensive Insurance Policy for covering all types of man-made disasters must also be brought into place.

8.3.6 District Level Funds

HPC recommended that there is a need for institutionalising a District Relief Fund at the district level, based on the principles of CRF so that there is a ready availability of funds. The District Level Relief Committee under the chairmanship of the District Collector would evolve the guidelines and norms for expenditure going into the district level funds. At least fifty per cent of the contribution to the funds could come from the public. In view of the fact that the Eleventh Finance Commission did not recommend the creation of District Level CRF or contribution thereto from State CRF, the High Powered Committee or the HPC (2001) felt that the Fund could be entirely created out of public contribution and donations. To take account of disaster management component in the development process, various instruments to ensure preparedness and mitigation action are required for which it was proposed that 10 per cent allocation from plan funds at all levels needs to be earmarked for disaster preparedness and mitigation.

8.4 FISCAL DISCIPLINE

Apart from the CRF, NCCF, there are funds that are available under Five Yeas Plan allocations as well as under various schemes of Government of India, be it drinking water scheme, employment generation scheme, inputs for agriculture and food control measures. Then there are facilities for rescheduling of short-term loans taken for agriculture purposes upon certification by the district or state administration. Central government assets or infrastructure are also to be repaired/rectified by the respective Ministry/Department of the Government of India.

Besides at the occurrence of a calatnity, funds flow from donors, both local and international for reconstruction. Based on the recommendations of the Finance Commission of the Government of India, the Inter-ministerial Committee fixed the norms of assistance for each of the eligible team for which assistance could be given as well as the quantum of such assistance. In actual practice, a number of states have been allocating funds at scales much higher than determined by the Government of India, thus exhausting the CRF much earlier than they ought to and that too on calamities of lesser magnitude.

It has been observed that while the Government of India remits its quarterly share of the CRF on a regular basis, the stales sit over it and only when the calamity occurs, the machineiy at the state headquarters, wakes up from its slumber, taking its own time in making funds available to the district administration; thereby causing delay in rendering assistance and relief when it is most needed. What is really required is proper financial discipline. There is no room for tampering with the recommendations of Finance Commissions. The present funding arrangements would suffice, if the fiscal discipline is maintained. There should not be any cause for complaints and grievances. More focus needs to be on how disbursed money is actually utilised. The states have to account for each and every penny spent by them. Without fiscal discipline, even adequate funding arrangements for disaster management cannot produce results.

The norms of assistance fixed by the Government of Inclia need to be adhered to. The states should also decide to have a self-imposed limits on when, where and how much to assist. There is also a need for defining calamity of rare severity or laying down broader criteria. Also adherence to these guidelines should be insisted upon for ensuring equity as well as transparency. The funds from the NCCF, as prescribed by the Eleventh Finance Commission should be drawn upon for calamities of rare magnitude, and only in cases where the funds available under the CRF are found to be inadequate.

8.5 ROLE OF INTERNATIONAL DONOR AGENCIES

As we discussed in the previous Section, apart from the National Funds and Plan Schemes, there are many donors-individuals, groups and agencies at the national and international levels that provide financial assistance for relief and reconstruction at the time of calamity. These are:

8.5.1 International Monetary Fund (IMF) and World Bank

The IMF, which was created in 1945, is an international organisation entrusted with overseeing the global financial system by monitoring exchange rates, balance of payments, as well as offering technical and financial assistance whenever asked. It provides emergency assistance to help member countries in the wake of natural disasters. Emergency financial assistance is designed to be disbursed rapidly and is supported by policy advice, and in many cases, technical assistance.

The IMF was established to promote international monetary cooperation, exchange stability, economic growth and employment. Since 1962, the IMF has been providing emergency disaster relief assistance to member countries. The assistance is aimed at 'meeting immediate foreign exchange financial needs arising from; shortfalls in export earnings and increased imports in order to avoid a serious depletion of country's external reserves.

Emergency assistance loans are usually disbursed quickly and do not involve adherence to performance criteria. An IMF member requesting emergency assistance is required to describe the general economic policies that it proposes to follow. If IMF is satisfied, the assistance is granted. In normal cbnditions, IMF works to reduce poverty around the world by providing financial support through its concessional lending facility. IMF resources are provided by its member countries. The major source of funds is through payment of quotas, which broadly reflect each country's economic size. The total amount of quotas is the most critical factor that determines IMF's lending capacity.

The World Bank emerged in the mission of reducing poverty and providing assistance to prepare for and recover from natural or man-made disasters. It is a specialised agency of the United Nations. In recent years, the approach of the World Bank towards disaster management has revolved around a broader goal of risk management. Instead of diverting finances from ongoing projects to fund recovery and reconstruction efforts, the Bank now provides investment lending for emergency response, as well as disaster mitigation,. disaster prevention and vulnerability reduction projects.

The World Bank has been taking up disaster management funding by financing earthquake devasted regions' reconstruction projects, streamlining risk management etc. There are different agencies through which the World Bank or the International Bank for Reconstruction and Development (IBRD) operates:

- The International Development Association (IDA)
- The International Finance Corporation (IFC)
- The Multilateral Investment Guarantee Agency (MIGA)
- The International Centre for Settlement of Investment Disputes (ICSID)

In addition, the World Bank along with IMF has a programme called the 'Heavily Indebted Poor Countries Initiative', which provides a comprehensive approach to reducing the external debt of the world's poorest and most heavily indebted countries.

8.5.2 United Nations

The United Nations (UN) was created in October 1945. Although most people associate the UN with the issue of peace and security, a vast majority of its resources are devoted to economic, social and sustainable development. Disaster management, in terms of provision of relief, is one area where the UN is playing an important role. The Economic and Social Council (ECOSOC) is the principal body coordinating the economic and social work of the UN. The international agencies like the UN are relied upon in order to respond to natural and man-made disasters that are beyond the capacity of national authorities alone. Today, the UN is a major provider of emergency relief and longer-term assistance, a catalyst for action by governments and relief agencies, and an advocate on behalf of people struck by emergencies.

The UN has various agencies such as United Nations Development Programme (UNDP), United Nations Children's Fund (UNICEF), United Nations Educational, Scientific and Cultural Organisation (UNESCO), United Nations Industrial Development Organisation (UNIDO), which are working in the area of development assistance, poverty removal, primary education, health, child relief, women empowerment and environmental sustainability. The UN through its branches and agencies is involved in capacity building and human development in countries stricken by poverty, hunger and disasters.

8.5.3 Asian Development Bank

The Asian Development Bank (ADB) was established in 1966. It is a multilateral development finance institute with a mandate to reduce poverty in Asia and the Pacific. It works with the World Bank on labour market reform, decentralisation of social services, reduction of poverty, proinotion of human development, protection of environment, and improvement of status of disadvantaged sections.

ADB provides financial and infrastructure assistance to all Asian countries in normal times as well as in the time of disasters. Apart from this, there are many other institutions engaged in funding for disaster management and vulnerability reduction such as the Inter-American Development Bank, Caribbean Development Bank (CDB), European Union Disbursement, UK Department of International Development (DFID), Food and Agriculture Organisation (FAO), Canadian International Development Agency (CIDA) and other US Office of Foreign Disaster Assistance (OFDA).

8.5.4 Bilateral and Multilateral Donor Agencies

Bilateral donors are those that are backed by respective countries' governments, for example USAID is supported by Federal US Government. Likewise, there are Swedish International Development Agency (SIDA), Canadian International Development Agency (CIDA), and Danish International Development Agency (DANIDA), Swiss Agency for Development and Cooperation (SDC), Australian Agency for International Development (AUSAID), Department for International Cooperation Agency (DICA) and Norwegian Agency for Development and Cooperation (NORAD).

These bilateral agencies provide financial assistance to national governments and scores of international and national NGOs for rendering humanitarian and development assistance. Funding mechanisms of the bilateral agencies may vary. For instance, funds could be directly provided to the Prime Minister's National Relief Fund or at times, a bilateral agency may provide funds to the UN agencies in the country and ask it to further channel it, as required. Several of these bilateral agencies have been major supporters of reconstruction and recovery initiatives following major disasters across the world. As such, these bilateral agencies have amassed considerable experience, which usually dictates terms for funding reconstruction. It, therefore, becomes important to know what type of policy and strategy an agency has towards the reconstruction process following a particular disaster in a given country.

8.6 MOBILISATION OF COMMUNITY FOR RESOURCE GENERATION

In recent times, the role of the community and community-based organisations/non-governmental organisations has been the key to effective rehabilitation work. A strong advantage that these organisations have is the good rapport and trust they enjoy vis-8-vis the community at the grass roots level. To some extent, this is the reason why the international donor agencies prefer to entrust funds with them for rehabilitation work.

Let us take the example of earthquake-hit Gujarat. Numerous NGOs and local voluntary organisations have been assisting the villages in rebuilding. The village of Devgargh is one instance. Completely destroyed, it was reduced to piles of crumbled gray stone and rubble in the Bhuj Earthquake of 2003. A local NGO *Sewa Bharti* adopted Devgargh. Like many other villages, the main challenge in rebuilding is mobilisation of construction material in remote locations. Villages' own capacities and resources are harnessed by employing and training local people, using local materials, supporting local enterprises, and working in partnership with local NGOs.

Unfortunately, there have been few attempts from the government to give incentives to people for participating in resource generation. Community level activities in this area need to be encouraged, especially when there are so many instances of government, non-government and community partnerships, also called the public-private-people partnerships in disaster management. Applying a self-help philosophy, the village of Raidenpur, about 11 kilometers from the city of Bhuj, provides another example of how people have been reaching out to those in need. Caritas India has been actively providing assistance in rebuilding 180 odd houses. Here an owner-driven concept has been adopted where the villagers themselves (mostly members of tribal groups and labourers) are employed to construct their homes. The village has also reopened schools in makeshift tents to enable children to resume their education.

The villagers are required to rebuild improved earthquake resistant houses, using quality material. Quality testing and monitoring is an integral part of the process. Quality testing laboratories, including mobile units, have been established at Morbi, Jamnagar and Bhuj, and one is in the pipeline in Bhachau. These laboratories will test the quality of building material for adherence to specified standards, While the state government should be commended for its efforts, people's resilience and spirit to rebuild their lives have been clearly visible 'in the affected areas. Death and destruction have brought out the best in the people of Gujarat, as displayed in the strong community bonding and efforts to help one another. The Tsunami of 2004 and Muzzafarabad Earthquake of 2005 have also brought into light many instances of community-based rebuilding aciivities with the help of locally, generated resources, in collaboration with the state and central governments.

8.7 CONCLUSION

This Unit explained the concept of reconstruction vis-à-vis disasters. Different processes and considerations in reconstruction, namely reconstruction requirements and resource generation were discussed, The key role played by various funding agencies at different levels-national and international was brought out. The Unit also threw light on the need for fiscal discipline and cooperation at the central, state and local levels as well as between national and international agencies. Insurance policies, micro-credit and saving schemes are very crucial in disaster management funding as they create a corpse of financial reserve that could be used at the time of disasters. Equally important is the role of coininunity bonding in managing disasters and raising awareness on fiscal discipline and emergency finance reserve etc. This Unit examined these important issues.

8.8 KEY CONCEPTS

Disaster Insurance

Insuring against disasters is the best way to guard one's life and property in case of catastrophes. Crop Insurance against droughts and floods, house insurance against earthquakes and landslides, and livestock insurance against cyclones, floods etc., need to be encouraged by the governmental and non-governmental agencies. Insurance can also be a means of finance in case of a disaster, Disaster insurance in most countries is still at a nascent stage and needs to be promoted through education and awareness.

Micro-finance

Micro-finance is often considered one of the most effective and flexible strategies in the fight against global poverty. It is sustainable and can be implemented on a massive scale in order to respond to the urgent needs of those living below the poverty line. Micro-finance consists of making small loans available to individuals, usually the women and the weaker sections to establish or expand a small business. Grameen or rural banks are instrumental in providing micro-finance, recycling funds, and benefiting community in normal and disaster times.

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8.10 ACTIVITIES

1) Make a list of the different agencies that provide financial aid in the case a natural disaster.

2) Do you feel that community awareness is important *to* strengthen fiscal discipline? List the different ways of creating community awareness on mobilisation of resources.

3) With reference to any recent major disaster in India, try to collect information through government or NGO official documents and complete the following Table :

Table: Financing of Reconstruction after a disaster (You may take up the case of *any* disaster)

Fund Source	Funds Provided for Reconstruction (Rs.)				
	Food Aid	Medical Service	House Construction	Repair of Public Building	Livelihood Support
Central Government					
NGOs (Specify)					
International Agency (Specify)					
Community Members					
Grand Total					