

FINANCING THE LOSSES AND THE RISKS

DUE TO EARTHQUAKES

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In this paper, three topics will be discussed, elaborated, and clarified.

1. A brief definition will be given for the way in which the terms financing the losses and risks due to earthquakes is used here;
2. A comparative analysis will be made of the basic approaches and mechanisms for financing the losses due to earthquakes in Skopje in 1963 and Montenegro in 1979;
3. A model will be presented of a way in which losses and especially risks due to earthquakes can be financed.

Defining the Terms: Financing the Losses and the Risks Due to Earthquakes

For the purposes of this paper, it is necessary to define how the terms financing the losses and risks due to earthquakes will be used. This involves addressing three issues:

- what the term financing denotes;
- how losses due to earthquakes are defined and determined;
- how risk due to earthquakes is defined.

The term financing the losses and the risks denotes supplying financial resources to mitigate or eliminate the material and human losses that result from earthquakes. It means that financial resources should be made available to compensate the losses.

Financial resources can be obtained from various sources: domestic and foreign credits, loans, percentage assessments of the national product, bank reserves, monetary remissions and transfers, etc. It is important to identify the specific sources of financial resources to be used, the precise amount, and the means and terms of repayment, if the resources are assigned as returnable, as precisely as possible.

In addressing the problem of financing the losses and the risks due to earthquakes, attention should be given to several considerations.

First of all, to determine the total amount of financial resources necessary to restore the losses that occurred;