Chapter 11

Disaster Relief

Terms of Reference

11.1 Para 8 of the Terms of Reference (ToR) requires us to '...review the present arrangements as regards financing of disaster management with reference to the National Calamity Contingency Fund and the Calamity Relief Fund and the funds envisaged in the Disaster Management Act, 2005 (53 of 2005).'

Approach of Previous Finance Commissions

11.2 In India, the financing of disaster relief is an important aspect of federal fiscal relations. There are significant variations in the disaster proneness profiles of different states and wide regional disparities in terms of levels of economic development. This implies that the coping capacity of a majority of the states to deal with disasters on their own is inadequate. This is compounded by the fact that the poorer states are often the most disaster prone. The financing of disaster relief has, as a result, come to be firmly accepted as a joint endeavour of the Central and State Governments. Finance Commissions, therefore, have considered it appropriate to comment on the subject even before this issue was formally included in their remit.

11.3 Although the term 'financing of relief expenditure' first found place in the ToR of FC-VI, Commissions from FC-II onwards have commented on this subject. FC-II assessed the need to finance expenditure on relief as it was 'struck by the dislocation caused to the finances of many states by unforeseen expenditure on calamities like famine, drought and floods' and was 'impressed with the need for making some provisions to meet this type of expenditure'. FC-II initiated the 'margin money scheme' (see Box 11.1), which envisaged setting apart specific amounts by states in order to meet the expenditure on relief measures. FC-VI was the first to be given a formal term of reference relating to the financing of relief expenditure. It stated: 'The Commission may review the policy and arrangement in regard to the financing of relief expenditure by the States affected by natural calamities and examine inter-alia the feasibility of establishing a national fund to which the Central and State Governments may contribute a percentage of their revenue receipts.'

11.4 Subsequent Commissions have also had similar provisions in their terms of reference. However, none of the Commissions upto FC-VIII felt any neccesity to change the system put in place by FC-II and adopted the same approach.

11.5 FC-IX examined the then existing scheme of margin money and acknowledged the need for replacing the 'existing arrangements of financing relief expenditure involving the provision of margin money, preparation of States' memoranda, visits of central teams, etc. by a scheme which is qualitatively different in the sense that generous funds are placed at the disposal of the states and they are expected to look after themselves in almost all situations'. FC-IX recommended the establishment of a Calamity Relief Fund (CRF) for each state, the size of which was decided on the basis of the average of the actual ceiling of expenditure approved for a state over a 10-year period ending 1988-89; 75 per cent of the fund was to be contributed by the Centre and 25 per cent by the states. The ToR of FC-IX also

Box 11.1: Margin Money Scheme

The Second Finance Commission (FC-II), while assessing the revenue expenditure of the states, acknowledged that financing expenditure on relief was an unforeseen item that affected their finances in a significant manner. The Commission, in the estimate of the states' committed expenditure, included a 'margin for enabling them to set apart annually from their revenues sizeable sums to be accumulated in a fund for meeting expenditure on natural calamities'. The state-wise amounts were based on the average expenditure on relief in the past decade. The Commission also advised that the amounts be kept in a fund and invested in marketable government securities so as to be available for relief expenditure without putting undue pressure on the states' finances. Concurrently, the Central Government had a scheme to assist the states in financing relief expenditure over and above the amounts indicated by the Finance Commission. Subsequent Commissions till the Eighth, including the Sixth to the Eighth which had a specific term of reference regarding financing of relief expenditure, continued this arrangement originally instituted by FC-II. Finally, this was replaced by the Calamity Relief Fund scheme as per the recommendations of FC-IX.

required it to examine 'the feasibility of establishing a national insurance fund to which the State Governments may contribute a percentage of their revenue receipts'. FC-IX, however, concluded that providing insurance cover to all affected/ vulnerable people, most of whom are poor with little to insure, would not be a viable option and would run into serious operational difficulties.

11.6 Subsequent Finance Commissions advocated the continuation of the basic framework recommended by FC-IX. FC-X recommended putting in place certain operational arrangements for the CRF. It also recommended the setting up of a National Fund for Calamity Relief (NFCR) to assist any state affected by a calamity of rare severity. It suggested that such calamities would have to be adjudged on a case-by-case basis. Management of this fund was to be under a National Calamity Relief Committee chaired by the Union Minister for Agriculture. Both the Centre and the states would contribute to this fund. The objective of this fund was to create a sense of 'national solidarity in a common endeavour which would then abide beyond the period of distress'.

11.7 FC-XI continued with the prevailing system of the Calamity Relief Fund, while further refining the administrative arrangements in this respect. It also reviewed the functioning of the National Fund for Calamity Relief and found that not only had the entire corpus of the fund been exhausted in three years, but also that it had failed to make adequate funds available for meeting the requirements of calamities of rare severity. FC-XI recommended the setting up of a National Calamity Contingency Fund (NCCF) with an initial corpus of Rs. 500 crore which was to be recouped through the levy of a special surcharge on central taxes.

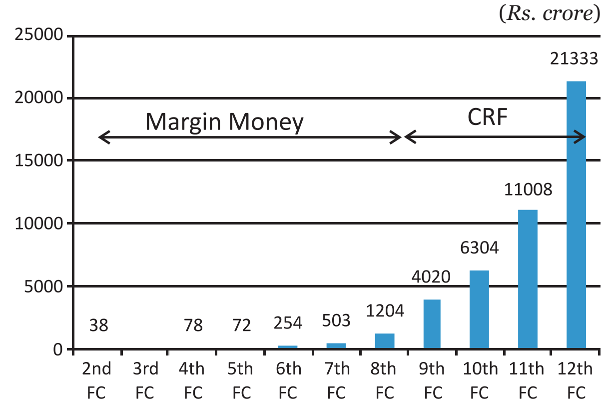
11.8 FC-XII observed that the CRF scheme had, by and large, fulfilled the objective of meeting the immediate relief needs of the states. It 'found considerable justification in widening the list of calamities' and added a few events to the list covered under the scheme. The Commission also recommended continuation of the scheme of NCCF in its existing form. The projections of various FCs (FC-III did not make any projections) with respect to margin money/CRF are depicted in Figure 11.1.

Studies Commissioned

11.9 We commissioned two studies to analyze various aspects of disaster relief. The first study focused on the impact of disasters in the past, trends in occurrences of natural disasters, projected

Figure 11.1: Projections made by FCs

(*Rs. crore*)



expenditure on relief during 2010-15 on the basis of projection of occurrences, and review of plan schemes on mitigation undertaken by different ministries and departments at the Centre and in the states. The second study was commissioned with the objective of examining the current financing arrangements in the light of the Disaster Management Act (DM Act), effectiveness of the NCCF, role of the Finance Commission in financing relief, impact of ongoing plan schemes on relief and mitigation requirements and the principles of allocation under the CRF.

Existing System

11.10 The existing system of financing relief expenditure, thus, mainly revolves around the CRFs maintained at the state level and the NCCF at the Central level. Both these funds target immediate relief measures and exclude measures for mitigation or post-calamity reconstruction. The CRF is a resource available to the states to meet the expenses of relief operations for a range of specified calamities. The NCCF is a national fund to provide assistanace to states for calamities of rare severity, beyond the coping capacities of the states' CRFs. While the total amount of assistance for the CRFs is decided by Finance Commissions on the revealed needs of individual states, the NCCF has a dedicated source of funding through a special duty on selected items.

Calamity Relief Funds

11.11 The Calamity Relief Funds, as in operation today, are broadly based on the recommendation of FC-IX. They are used to meet the expenditure for providing immediate relief to victims of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst and pest attack. The essential features of the CRFs are as follows:

i) The fund is maintained in the public account of the state.

ii) Seventy-five per cent of the fund is financed by the Centre and 25 per cent by the respective states.

iii) The Centre's share is paid in two instalments, the second instalment to be released only after receipt of the Annual Report on Natural

Box 11.2: Accounting System under Calamity Relief Fund

The accounting system for transactions relating to the Calamity Relief Fund is prescribed by the Central Government as under:

1. **The Fund:** The Calamity Relief Fund is maintained in the public account under the interest bearing deposit 8235 – General and Other Reserve Funds – 111 Calamity Relief Fund.
2. **Receipt and Transfer to the Fund:** The grant received from the Central Government is shown as a revenue receipt of the state under 1601-01-101 and the Centre's share (75%), along with the state's share (25%) is shown as a transfer to the CRF as a revenue expenditure of the state under 2245 – Relief on Account of Natural Calamities, – 05 Calamity Relief Fund, – 101 Transfer to Calamity Relief Fund. The CRF under the public account is credited with an equivalent amount.
3. **Expenditure on Relief:** The actual expenditure on relief work is booked under the respective heads within 2245 (01 for drought, 02 for floods, cyclones, etc., 05 for Calamity Relief Fund, and 80 for others). Out of this expenditure, the amount that needs to be charged to the CRF is shown as a negative entry under 2245-05-901 – Deduct amount met from CRF. The CRF in the public account is debited by this amount.
4. **Investment and Return on the Investment:** From time to time, the SLC shall give instructions to the RBI or a bank designated by them, to invest the amounts in instruments prescribed by the Central Government in this regard. The amount invested shall be shown under 8235-112 – Calamity Relief Fund – Investment Account. The returns on these investments shall be credited to the government's account.
5. **Liquidation and Maturity:** The instruments shall be liquidated and the proceeds credited to the Calamity Relief Fund either on maturity or on the instructions of the SLC. In case the SLC so instructs, the amounts can also be reinvested on maturity.

Calamities giving the details of expenditure incurred on relief.

iv) The fund is administered by a State Level Committee (SLC) headed by the Chief Secretary of the state.

v) Unspent balances in the fund are to be invested from time to time, and the interest earned accrued to the fund.

vi) The Ministry of Home Affairs is the nodal ministry for overseeing the relief operations for all natural calamities, other than drought, hailstorm and pest attack, for which the Department of Agriculture and Cooperation is the nodal department.

vii) The unspent balances in the CRFs at the end of FC-XII award period can be used to finance the state plans if FC-XIII recommends the discontinuation of the scheme.

11.12 The Ministry of Home Affairs has issued detailed guidelines on the items and norms of expenditure for assistance from the CRF. The Central Government has released Rs. 12,208 crore under the CRF in the four-year period 2005-09 against the Rs. 12,547 crore share recommended by FC-XII for the same period.

National Calamity Contingency Fund

11.13 The National Calamity Contingency Fund is operated under the broad framework laid down by FC-XI. It has a core corpus of Rs. 500 crore and is replenished through the National Calamity Contingent Duty imposed on cigarettes, pan masala, beedis, other tobacco products and cellular phones. Its other features are:

i) It is maintained in the public account of the Government of India.

ii) It is administered by a high level committee comprising the Agriculture Minister, Home Minister, Finance Minister, and the Deputy Chairman of the Planning Commission.

iii) The claim on the NCCF is made through a memorandum submitted by the State Government, which is assessed by a central team deputed for the purpose. The report of the team is assessed by an inter-ministerial group, which makes recommendations to the high level committee for release.

iv) The assistance from the NCCF is only for immediate relief and rehabilitation and not for any reconstruction of assets or restoration of damaged infrastructure.

Table 11.1 : Releases from NCCF

(*Rs. Crore*)

States	2005-06	2006-07	2007-08	2008-09	Total
Andhra Pradesh	100	203	38	30	371
Arunachal Pradesh	68	44		26	138
Assam				300	300
Bihar				1000	1000
Gujarat	304	546			850
Himachal Pradesh	113	25	25	40	203
Jammu & Kashmir	310		14		324
Karnataka	359	385	69	189	1002
Kerala	18		51	9	78
Madhya Pradesh		31			31
Maharashtra	657	590	169		1416
Manipur				5	5
Mizoram			9	50	59
Nagaland		1			1
Orissa		25		99	124
Rajasthan		100	0		100
Sikkim		5		8	13
Tamil Nadu	1132			523	1655
Uttarakhand		7			7
States	**9**	**12**	**8**	**12**	
Total	**3061**	**1962**	**375**	**2279**	**7677**

11.14 Over the period 2005-09, the Central Government has released Rs. 7677 crore to states for various calamities. The details are shown in Table 11.1.

Additional Central Assistance

11.15 In order to finance post-disaster reconstruction which is not covered under the NCCF, Additional Central Assistance (ACA) has been given to states in recent years, particularly for the Gujarat earthquake of 2001, the Indian Ocean tsunami of 2004, the Kashmir earthquake of 2005 and the Kosi floods of 2008 in Bihar. In the year

2008-09 Rs. 645 crore has been released to 10 states under ACA for long term reconstruction of assets, including Rs. 180 crore to Arunachal Pradesh, Rs. 98 crore to Gujarat, Rs. 92 crore to Himachal Pradesh, Rs. 73 crore to Andhra Pradesh and Rs. 65 crore to Tamil Nadu.

Convergence with Centrally Sponsered Schemes

11.16 Various employment generation schemes, especially those such as the National Rural Employment Guarantee Scheme (NREGS) assure financial relief to needy families in drought-affected areas. They can be easily integrated with relief programmes to increase the availability of funds for relief expenditure.

11.17 Another scheme that has been effectively dovetailed with calamity relief is the Indira Awas Yojana (IAY), which has accomplished useful relief work in terms of providing housing to the affected families. Ten per cent of the annual allocation under IAY is earmarked for this purpose. Similar allocation (5 per cent) is also made under the Accelerated Rural Water Supply Programme (ARWSP).

Overall Disaster Management

11.18 Disaster management in our country has had a commendable record with efficient convergence of human and financial resources. Projects such as management of tsunami relief, relief for the Jammu & Kashmir earthquake and relief to the flood-affected areas of Kosi in the past four to five years have underscored this fact.

Disaster Management Act, 2005

11.19 The Government of India, with a view to providing for the effective management of disasters and related matters, enacted the Disaster Management Act, 2005. All its provisions have been notified excepting those relating to sections 46 & 47 that deal with the constitution of the National Disaster Response Fund and National Disaster Mitigation Fund. The ToR require us to examine the issue of financing of disaster management with reference to these funds as well. Legislation of this Act has thrown up various new issues that require this Commission's consideration.

Disasters

11.20 To date, Commissions have not used the term 'disaster' but have mostly referred to 'natural calamities'. FC-XII felt that although their terms of reference included the term, 'disaster', it was not feasible to expand the scope of their consideration beyond the existing list of natural calamities, except for some additions to cover a few more events. FC-XII recommended that other disasters including chemical and industrial, as also air/railway accidents, may continue to be taken care of by the respective ministries.

11.21 While previous Finance Commissions have taken such a view, the DM Act provides a far wider definition of disaster as 'a catastrophe, mishap, calamity or grave occurrence in any area, arising from natural or man-made causes, or by accident or negligence which results in substantial loss of life or human suffering or damage to, and destruction of property, or damage to, or degradation of environment, and is of such a nature or magnitude as to be beyond the coping capacity of the community of the affected area'.

11.22 Although the DM Act uses terms like 'substantial loss of life, or human suffering', 'damage to and destruction of property' and 'nature or magnitude as to be beyond the coping capacity of the community of the affected area', it does not quantify these terms.

11.23 Even in the existing system, Finance Commissions have merely drawn up the 'eligible list' of natural calamities while both the *modus operandi* of assessment and the norms of relief have been decided by the Central Government separately.

Administrative Mechanism

11.24 Calamity Relief is currently administered by the Ministry of Home Affairs at the central level and by a SLC chaired by the Chief Secretary at the state level. The DM Act envisages the formation of the National Disaster Management Authority (NDMA) at the apex level to plan, coordinate and implement disaster management at the central level and lay down guidelines for the state authorities. The Act also envisages a National Executive Committee (NEC) that shall provide execution assistance to the NDMA in the discharge of its functions. Currently, the high level committee and the Ministry of Home Affairs provide guidance at the central level to the relief process.

11.25 Similarly, the DM Act envisages a State Disaster Management Authority (SDMA) with functions similar to those of the NDMA at the state level, as well as a State Executive Committee (SEC) that shall provide executive assistance to the SDMA. Currently, as mentioned above, coordination and monitoring at the state level is being handled by a committee chaired by the Chief Secretary.

11.26 So far, the administrative control of disaster management activities at the district level lay with the District Magistrate in most of the states. The DM Act provides for a District Disaster Management Authority under the District Magistrate/Deputy Commissioner.

Roles and Responsibilities in Relief Operations

11.27 As per the Act, the NDMA shall recommend the minimum standards with reference to the provision of relief in terms of the facilities to be made available in the relief camps, relief to widows and orphans, *ex gratia* assistance on account of loss of life and damage to houses and restoration of means of livelihood. The NDMA may also, in case of disasters of severe magnitude, recommend relief in terms of repayment of loans or grant of fresh loans. Similar responsibilities have been vested with SDMA at the state level. The executive powers with regard to calamity relief as well as powers to ensure compliance with directions in carrying out the relief measures are vested with SEC.

Financing Arrangements

11.28 The Act provides for a Disaster Response Fund (DRF) and a Disaster Mitigation Fund (DMF), each at the national, state and district levels. The National Disaster Response Fund (NDRF) shall be administered by the NEC to meet the expenses for emergency response, relief and rehabilitation in accordance with the guidelines laid down by the Central Government in consultation with the NDMA. The National Disaster Mitigation Fund is to fund projects exclusively for the purpose of mitigation and is to be administered by the NDMA. Similar provisions have been made for the State and District Disaster Response and Mitigation Funds.

11.29 The Act states that both the national funds shall be credited an amount, which the Central Government may provide, after due appropriation made by the Parliament, by law. The NDRF may receive any grants that may be made by any person or institution for the purpose of disaster management. However, there is no analogous provision for the state and district funds.

Views of the Central Government

11.30 The Commission invited the views of the Department of Agriculture and Cooperation, Ministry of Home Affairs, Planning Commission, Ministry of Finance and the NDMA on the operationalisation of the National Disaster Management Act, 2005 and particulerly on the convergence between the CRF, the NCCF and the Response and Mitigation Funds envisaged in the Act. The views expressed by them are presented in the following sections.

Department of Agriculture and Cooperation

11.31 The Department of Agriculture and Cooperation is the nodal department for the management of drought, hailstorm and pest attack.

11.32 The department has referred to the recommendation of FC-XII that while disaster preparedness and mitigation are important, they need to be built into state plans, as has been the practice, and that the focus of the CRF/NCCF must be primarily on calamity relief.

11.33 The department has expressed the view that the schemes of the Calamity Relief Fund and the National Calamity Contingency Fund are functioning satisfactorily and may continue in their present form.

Ministry of Home Affairs

11.34 The Ministry of Home Affairs (MHA) is the nodal ministry for the management of notified natural disasters in the country, except drought, hailstorm and pest attack. The ministry has opined that the NCCF should be merged into the NDRF from 1 April 2010 and that the unspent balances in the NCCF be taken as the opening balances under the NDRF. It has suggested that the Commission may recommend allocation of adequate funds to the corpus of the NDRF. Similarly, it has suggested merging of the CRF with the State Disaster Response Fund (SDRF), with the unspent balances under CRFs being treated as the opening balances in the respective SDRFs. With regard to the District Disaster Response Fund (DDRF), it has suggested that 'as per the existing system, allocation of funds to various districts in DDRF out of SDRF may be left to the discretion of the concerned State Government'.

11.35 MHA has suggested the inclusion of cold wave/frost, sea erosion, lightning and heat wave in the list of natural calamities. It has also suggested inclusion of chemical, biological, radiological and nuclear (CBRN) emergencies/ disasters, as these have been included by the NDMA in the draft guidelines formulated for operation of the NDRF.

11.36 The Ministry has suggested that the National Disaster Mitigation Fund should be funded through a separate budget head under the ministry's budget on the plan side. The ministry has also suggested that some percentage of funds under Centrally Sponsored Schemes (CSS) should be earmarked for disaster mitigation/long term disaster preparedness.

Views of NDMA

11.37 The NDMA has argued for mainstreaming disaster resilience into the development process and has suggested the incorporation of disaster management into the Five Year and Annual Plans of the central ministries and departments concerned. The NDMA has also suggested creation of the National Disaster Mitigation Fund as required under the DM Act for mitigation projects in high priority areas, to be taken up by the NDMA. They have suggested a one-time grant for the creation of 'national disaster response reserves', mainly consisting of non-perishable items like tents, tarpaulins, shelters, water purification equipments, lighting equipment, etc. The NDMA has also highlighted the need for capacity building of the states' relief and mitigation machinery.

11.38 The NDMA has focused especially on the current state of fire services in the country and has argued for the upgradation of fire-preparedness and provision of a grant of Rs. 7000 crore to the State Governments for this purpose. We have considered this issue in our chapter on local bodies.

Ministry of Finance

11.39 The Ministry of Finance has stated that the current system has been extremely beneficial to states and has passed the test of time. The ministry has pointed out that the creation of the NDRF encompassing the NCCF may deprive the disaster relief effort of the balancing influence of the NCCF-release exercise. With regard to mitigation, MoF has stated that it should be a part of the overall plan process and that the creation of the fund would add another layer of approval for the relevant ministries and departments.

Planning Commission

11.40 The Planning Commission is of the opinion that the Finance Commissions have been giving their recommendations on the financing of disaster relief to fill in the gap caused by the absence of a statute on this issue. With the DM Act coming into force, this gap has been filled and there is no need for the Finance Commission to make a specific provision in this matter.

Views of the State Governments

11.41 The State Governments, in their memoranda to the Commission, have offered their comments on various aspects of financing of relief expenditure.

Allocation to CRF

11.42 The states have indicated that the current allocation does not cover their requirement fully and should be considerably enhanced. Some states have suggested that instead of allocations on the basis of past expenditure on disaster relief, these should be made on the basis of the losses suffered due to disasters in the past, the periodicity, duration and severity of calamity and the cost of restoration of infrastructure, while others have suggested that the allocation should be based on the disaster-proneness of the states and that population and area should be made the criteria for determining the size of the CRF. Some states have argued for linking allocation to the value of farm produce. One view expressed is that the allocation for the states that spend more than their CRF should be enhanced by 33 per cent. All the states have argued for timely release of the Centre's share.

Additional Expenditure Over and Above CRF

11.43 Some states have argued that relief expenditure over and above the CRF eventually becomes the burden of the state alone and should be shared by the Centre in the same ratio as that of the CRF. Some have pointed out that the additional expenditure has been met out of heads other than 2245 and, thus, does not get captured in the calculation of allocations in the future.

Sharing Pattern

11.44 With regard to the sharing pattern, some states have suggested continuance of the existing sharing pattern while others have argued that the Centre's share should be increased to 90 per cent. Most of the 'special category' states have expressed their inability to meet the states' share and have advocated 100 per cent central assistance. It has been suggested that the states' contribution to the CRF should be included in non-plan revenue deficit.

Norms for Expenditure

11.45 The states have raised many issues about the norms of relief expenditure. A number of states have demanded that the norms be state-specific as the ground-level situation varies from one state to another. Some states have suggested that the norms should be indexed for price escalation. Others have suggested that the norms should be such as to allow infrastructure to be restored to pre-disaster levels.

11.46 Some states have advocated revision of the present guidelines that lay down the stipulation that the CRF should only be used after exhausting the allocations under plan schemes like NREGS. The states have also suggested that the expenditure on the material component should be allowed upto 40 per cent. It has been pointed out that the time limit allowed to complete repairs is too short and should be revised. Most of the states have argued that works of a semi-permanent nature should also be allowed.

11.47 While some states have suggested that the balances in the CRF at the end of the award period should be allowed to be taken as a resource for plan expenditure, a few have requested that after the end of every year 50 per cent of the CRF balances should be allowed to be taken as a resource for plan expenditure.

List of Calamities

11.48 Regarding the list of natural disasters covered under the scheme, the states have variously suggested inclusion of lightning, sea erosion, frost and heat/cold wave, bird flu, rodent attack, sunstroke and snakebite.

NCCF

11.49 Regarding the NCCF, some states have suggested that 50 per cent of the assistance should be released immediately and the remaining amount can be released after the completion of the entire process of assessment. Many states have suggested that the assessment methodology should be worked out in consultation with the states. Some states have also suggested that releases from the NCCF should be made without any adjustment in the CRF balances. Most states have pointed out that releases from the NCCF are delayed, the process of assessment is non-transparent and *ad-hoc* and that assistance is grossly inadequate.

Disaster Management Act

11.50 The Disaster Management Act has been acknowledged by the states as a major development in the area of disaster management. Some states have suggested that the CRF should be converted into the SDRF and that the NDRF may be used to augment the SDRF in case of additional requirements and, further, that the Finance Commission should recommend detailed arrangements for the fund. They have suggested that the mitigation funds should be at least double the size of the response funds.

International Experience

Australia

11.51 In Australia, Emergency Management Australia (EMA) is the nodal agency for disaster management at the federal level. Natural disaster management is constitutionally a responsibility of the state or territory and EMA offers various programmes for effectively mitigating, responding to, and recovering from their natural disasters. The Australian Government provides funding through the Natural Disaster Relief and Recovery Arrangement (NDRRA), which is administered by EMA on its behalf. Under the arrangement, a state or territory may claim NDRRA funding, if it has spent more than $240,000 on relief and recovery expenditure in case of a natural disaster. The amount of NDRRA funding would depend on a pre-defined threshold derived on the state's revenue. The NDRRA applies to natural disasters like flood, storm, earthquake, cyclone, landslide, tsunami and the like, but does not apply to 'other unspecified events like drought, frost, heat wave, epidemic', etc.

11.52 The Australian Government also has a Natural Disaster Mitigation Programme which is aimed at identifying and addressing natural disasters in order of risk priority across the nation. Under this scheme, the Federal Government generally contributes up to one-third of the costs of the project, other than certain specific projects like installation of flood warning systems, infrastructure upgrades, etc., where it bears half the cost. Fifty per cent of the central share is paid in advance by the Australian Government and the remaining 50 per cent is paid out in quarterly instalments on receipt of claims from the states.

United States of America

11.53 In the United States of America, the Federal Emergency Management Agency (FEMA), Department of Homeland Security is the nodal agency for disaster management. FEMA administers various programmes for disaster mitigation response and recovery under the public assistance (PA) grant programme. Assistance is provided to states and tribal local bodies to enable communities to quickly respond to and recover from major disasters or emergency declared by the President. Under this programme assistance is provided for debris removal; emergency protection measures; as well as repair, replacement, or restoration of disaster-damaged, publicly-owned facilities. The federal share of assistance is not less than 75 per cent of the eligible cost for emergency majors and permanent restoration. FEMA also implements many disaster-specific assistance programmes like fire management assistance grant programme, flood mitigation assistance programme, national earthquake hazards reduction programme and repetitive flood claims programme.

11.54 FEMA also implements mitigation programmes like the Hazard Mitigation Grant Programme (HMGP) that provides grants to states and local governments to implement long-term hazard mitigation measures after declaration of a major disaster. The purpose of the HMGP is to reduce loss of life and property due to natural disasters and to enable mitigation measures to be implemented during immediate recovery from the disaster.

Canada

11.55 Public Safety (PS) Canada is the nodal agency for disaster management in Canada. In the event of a large natural disaster, the Government of Canada provides financial assistance to provincial and territorial governments through the Disaster Financial Assistance Arrangements (DFAA), which is administered by PS Canada. The Government of Canada bears upto 90 per cent of the relief expenditure on a graded basis. Under this arrangement the government supports evacuation operations, restoration of public works and infrastructure, replacement or repair of basic essential personal property of individuals, etc. The Emergency Act of Canada has been put in place to strengthen the emergency management activities in the country. It sets out clear rules and responses for all federal ministries across the full spectrum of emergency management.

South Africa

11.56 The Disaster Management Act, 2002, of South Africa provides for national, provincial, and municipal disaster management centres. The primary responsibility of disaster management lies with the local and the provincial governments. However, depending upon the intensity of the disaster, the National Government may intervene and provide adequate financial assistance (the Act provides for declaration of a disaster as local, provincial or national disaster). For the purpose of immediate relief, it maintains a Disaster and Emergency Fund, which is used to supplement the efforts of the local and provincial governments and is operated by the central cabinet.

11.57 Activities relating to post-disaster reconstruction are funded from a national reserve established in line with budgetary requirements under the medium-term expenditure framework to provide contingency funds for a range of situations. The Act only deals with preparedness, response, and recovery and leaves mitigation to be taken up by the respective ministries from their budgeted grants.

Japan

11.58 In Japan, the basic framework of disaster management is provided by the Disasters Countermeasures Basic Act, 1961. The government provides various grants and loans to the Prefectural and Municipal Governments for their effort in meeting response and recovery expenditure.

Brazil

11.59 In Brazil, the nodal agency for disaster management is the National Civil Defence Secretariat. The Secretariat works in coordination with the State and Municipal Governments in case of activities relating to civil defence. These activities are funded, at the central level, out of the Civil Defence Action Programme of the Union Budget. The respective states and municipalities have similar budgetary provisions to meet the expenditure on disaster management.

The Indian Context

11.60 In most countries where relief activity is primarily the responsibility of State/Provincial Governments, assistance from the Federal/Central Government to the lower levels of government is mostly in the form of case-specific grants/ reimbursement. These are more in the nature of the NCCF scheme of our country and, in that sense, the CRF scheme that provides for a structured fiscal transfer from the Central to State Governments for the purpose of financing relief expenditure is unique. Through the CRF scheme, successive Finance Commissions have built in the requirement of relief expenditure financing in the overall scheme of fiscal transfers.

Review of the Existing Schemes

CRF and NCCF

11.61 The current schemes of the CRF and the NCCF have served their purpose well. Most of the states, in their memoranda, have acknowledged the utility of these schemes in times of calamity. The states have pointed out certain operational difficulties, some of which are general in nature and some specific to the respective states. Some of the points raised by the states with regard to the scheme layout pertain to issues that are decided by the Central Government post-Finance Commission awards and these need to be addressed by the Central Government.

11.62 The size of the CRF is determined on the basis of past expenditure of the states on calamity relief. Some states have pointed out that the *inter-se* distribution of the CRF should be decided on the basis of losses due to natural disasters, disaster-proneness of the state concerned, and the history of natural disasters, etc. Since the objective of the fund is to meet expenditure on relief only, past expenditure on calamity relief can be considered as a good proxy for the requirement of the state. Historical expenditure trends may be affected adversely by the revenue raising capacity of the state, where, despite a felt need, the state may not have been able to spend due to lack of resources. To correct such situations, FC-XI gave an *ad-hoc* premium to low-income states over the past average expenditure on calamity relief of 10 per cent, which was raised to 25 per cent by FC-XII. The size of the CRF, as decided by the previous Commissions has been more or less adequate.

11.63 As far as the NCCF is concerned, the fund has a specific role to play in case of disasters that are beyond the coping capacity of the states. Experience shows that the fund has great utility and has been found useful in meeting response requirements immediately.

11.64 The states have also raised the issue of lack of clarity in the assessment of the quantum of assistance and releases. The Comptroller and Auditor General of India has acknowledged this issue in his performance review of tsunami relief and has recommended that the Ministry of Home Affairs and the Ministry of Finance, in consultation with the State Governments, 'need to put in place a generally acceptable system/mechanism of assessment of the damage and determine at least the general criteria based on which the quantum of assistance would be determined in natural calamities so as to bring in transparency and institute a good management practice'.

List of Natural Calamities

11.65 Over and above the list of six natural calamities (cyclone, drought, earthquake, fire, flood and hailstorm) recognised by the previous Finance Commissions and tsunami (added later by the government), FC-XII included landslides, avalanches, cloud burst and pest attack in the listed calamities. The list was considered to be generally exhaustive, though some states have made representations for the addition of state-specific events like heat/cold wave, frost, lightning and sea erosion to this list.

Existing Schemes and Disaster Management Act

11.66 With the Disaster Management Act, 2005 coming into force and the funds envisaged constituted, after notification of the relevant sections of the Act, co-existence of the CRF/NCCF and the funds envisaged under the Act would, in our opinion, be an unnecessary overlap. The CRF/NCCF had been constituted by previous Commissions to fill in the structural gap that existed due to the lack of any explicit provisions in the Constitution or any other legislation in force.

11.67 The Act specifies separate funds for response and mitigation. While CRF/NCCF were designed keeping only response in mind, Finance Commissions have been taking the view that mitigation and recovery/reconstruction should be met out of the state/central plans. With respect to the NDRF, the Act specifies that it should be at the disposal of the NEC and receive funds from the Union Budget.

Administrative Mechanisms

11.68 While earlier Commissions had recommended creation of a high level committee and State Level Committees at the central and state levels, respectively, the Act provides for clear administrative structures from the central to the district level in terms of disaster management authorities and executive committees. In view of the specific statutory provisions in the Act, we feel it would be necessary to ensure that there is no duplication of administrative structures as a result of the transition.

Risk Transfer and Insurance

11.69 While the vulnerability of various parts of the country to disasters is high, the current level of insurance penetration in India is less than 1 per cent across the country. Pooling of risk of disaster at the individual level is therefore a big challenge. FC-IX was formally given a term of reference relating to the 'feasibility of establishing a national insurance fund to which the State Governments may contribute a percentage of their revenue receipts' and came to the conclusion that 'the source of calamity, by its nature and magnitude, would pose problems which no agency, outside government, can tackle exclusively and in full measure.' Successive Commissions endorsed this view and did not recommend anything specific in this area.

11.70 This conclusion arises out of the fact that it is generally economical to pool risks arising out of low frequency-high intensity disasters, but it is not economical to pool risks arising out of high frequency-low intensity disasters. This could be the reason why FC-IX did not find merit in setting up a comprehensive risk pooling mechanism for financing disaster relief in India.

11.71 FC-XI was of the view that any insurance cover in which the premium is paid fully by the Centre and the states would not reduce the financial burden of the government in dealing with natural calamities. FC-XII observed that the reach of formal institutions in the field of insurance was limited and that micro insurance, while being the need of the hour, was yet to reach out to large segments of the population. They, therefore, endorsed the views of FC-IX and FC-XI that a premium-based insurance scheme to cover calamities would not be viable.

11.72 The Insurance Regulatory and Development Authority has framed micro insurance regulations that allow distribution of micro insurance products by micro insurance agents like non-government organisations (NGOs), self-help groups (SHGs), micro-finance institutions (MFIs), etc. The regulations cover insurance for personal accidents; health care for individual and family and assets like dwelling units, livestock, tools and other named assets. The Central Government has also launched a national health insurance scheme, Rashtriya Swasthya Beema Yojana, that is intended to cover families below the poverty line for proper health care. In addition, similar schemes are already under operation in various states.

11.73 While these efforts would definitely increase insurance penetration in India, it is our considered view that, at the present juncture, insurance schemes do not provide an adequate alternative to government funding for disaster relief.

Recommendations

11.74 With the introduction of the Disaster Management Act, 2005, the entire spectrum of disaster management will have to undergo a revamp in accordance with the provisions of the Act.

Financing Arrangements

11.75 The DM Act provides for two funds each at all the three levels, namely, national, state and district. For national funds, although the Act provides for funding to be sourced through the Central Government, there is no specific mention of the criteria to be adopted in fixing the size of the contribution to the fund. Further, the Act is altogether silent on the source of funding for state and district funds.

11.76 With the DRFs coming into existence, there is a need to merge the existing funds into the newly constituted funds.

11.77 At the national level, there is a need for an instrument that can be used to fund the response requirements of disasters that are beyond the coping capacity of the states. Past experience with the NCCF has shown that it has provided valuable resources at the right time, along with pooling of risk at the national level which is necessary as a state may not be an ideal unit for pooling of risk and resources for disasters of all kinds and all scales. In the absence of a dedicated fund, it may be difficult for the Central Government to step in quickly when needed.

11.78 We, therefore, recommend that the existing NCCF be merged into the NDRF proposed under the Act with effect from 1 April 2010, and that the balances in the NCCF at the end of 2009-10 be transferred to the NDRF. As far as financing of the NDRF is concerned, as per the Act it should be credited with amounts that the Central Government may provide, after due appropriations made by the Parliament. FC-XI had recommended a corpus of Rs. 500 crore for the NCCF. Experience shows that the appropriations from the budget to the fund have consistently been of a much higher order. Hence, we recommend that while making the appropriations, past trends of outflows from the NCCF/NDRF be taken into account to ensure availability of adequate funds for calamities of a severe nature. Since, with the introduction of Goods and Services Tax (GST) all cesses are expected to be subsumed in the tax structure, alternative sources of financing shall have to be identified and necessary budgetary provisions made, linked to the expenditure from the NDRF in the previous year.

11.79 Similarly, it is our view that the CRFs may be merged into the SDRFs constituted under the Act as on 1 April 2010 and that the balances in the CRF, as at the end of 2009-10, be transferred to the SDRFs. Although some states have suggested that unspent balances in the CRF be allowed to be used for plan financing, we feel that using these as an opening balance in the SDRFs would provide a cushion to the states in terms of financing relief expenditure. This will also bring about the required continuity in the existing scheme of relief financing. Regarding financing of the SDRF in the future, in view of the experience with the CRF, it is essential that Central and State Governments jointly contribute to this fund.

11.80 With the DM Act coming into force, the primary responsibility of disaster relief has been cast upon the states. The Act is silent on the source of funding of the SDRFs. However, in our opinion it may not be prudent to assume that the entire requirement for relief can be met out of the states' resources. The existing system of CRF has proved to be beneficial and has had a wide degree of acceptance among the State Governments. Any radical departure from this dispensation may not be desirable. There is, therefore, a sound case for examining the issue of central funding for the SDRFs.

11.81 International experience indicates that the practice that is broadly followed, even in countries where disaster management is the primary responsibility of the State/Provincial Governments, is that there are in place schemes/programmes of the Federal/Central Government for providing financial assistance to sub-national units in relief works.

11.82 We, therefore, recommend that for general category states, the SDRFs should be funded by the Central and State Governments in the ratio of 75:25 respectively as in case of the CRF. However, since funding of their 25 per cent share may overstretch the fiscal capacity of the special category states, we recommend the funding of the SDRFs in the ratio of 90:10 by the Central and State Governments, respectively, for the special category states.

Disaster Mitigation

11.83 As far as disaster mitigation is concerned, we believe that it should be a part of the plan process and that the expenditure therein should be met out of the plan resources of the respective ministries of the Union and the states. This is also advisable as there are already schemes at the central as well as state levels that are targeted towards mitigation, in areas such as drought-proofing, flood and water management, soil erosion and promotion of earthquake-resistant structures. While we realise that the current levels of funding of these schemes may not be adequate, it is our view that this aspect is best left to be decided by the Planning Commission and the NDMA.

11.84 Our view is broadly in line with the approach taken by the other bodies that have looked into this aspect. The Second Administrative Reforms Commission (SARC) has dealt in great detail with issues relating to disaster mitigation and disaster management plans, as envisaged under the DM Act. It has recommended that disaster plans should be included in the development plans of the line agencies (i.e., central ministries/departments and State Governments) and local bodies. SARC has also recommended that the incorporation of disaster mitigation plans into development plans should be specially monitored at the Five Year and Annual Plan discussions at the state and Planning Commission levels.

11.85 With regard to financing arrangements, SARC had recommended the setting up of the funds mentioned in the DM Act from 1 April 2007. However, except for a nominal beginning by a handful of states, there has been little progress on this front.

11.86 The Eleventh Five Year Plan document emphasises the necessity of mainstreaming disaster management into development planning. It mentions that every development plan of a ministry/department should incorporate elements of impact assessment, risk reduction, and the 'do no harm' approach. It further states that the State Governments need to give priority to hazard identification and risk assessment in their plans and schemes.

11.87 On financing, it states that a portion of plan funds should be earmarked for efforts that, directly or indirectly, help in disaster management. It suggests that every project should provide adequately for disaster mitigation and management.

Allocations for the SDRFs

11.88 We are aware that, ideally, the best methodology to assess the requirement of the SDRF would be to base it upon the Hazard-Vulnerability-Risk profile of the states, as it would be a good indicator of the disasters that a state may face. However, we have found that there is no reliable exercise that maps the states on such a scale. Since the DM Act mandates the preparation of Disaster Management Plans at the national, state and district levels, we recognise that it would be both possible and useful to take up such an exercise in the future.

11.89 In the absence of any such reliable indicator at present, we have continued to adopt an expenditure-based approach, in line with the practice of the previous Commissions. To arrive at the allocations to the SDRFs of various states, we have taken into account the expenditure on calamity relief in the period 2001-08. We have opted for this time period keeping in mind the creation of three new states in the year 2000.

11.90 The expenditure on relief is booked under the major head of account 2245. Within this account, three sub-major heads, viz. 01, 02 and 80, pertain to actual expenditure, while 05 pertains to book adjustments between the Consolidated Fund and the Calamity Relief Fund. We cleaned up these transactions to obtain the actual expenditure on calamity relief. We found that while in some states the prescribed accounting practice is being followed, in some other states, expenditure has been debited directly from the public account. To correct for this deviation, the disbursement from the public account, which was not matched with an equal adjustment in the consolidated fund, has been added back to the total expenditure on calamity relief from the consolidated fund. Despite this, in some states, we found that the expenditure was not fully accounted for. Due to this lack of uniformity in complying with the stipulated accounting practices, we have adopted the methodology of using total expenditure under 2245 followed by previous Finance Commissions.

11.91 We have followed the methodology outlined below to arrive at the average expenditure under calamity relief :

i) We classified expenditure under calamity relief under the major head 2245, the total of which was taken for the relevant years. This has been used as the basis for the allocation.

ii) In some states, we found that a major portion of the expenditure was debited directly from the CRF maintained in the public account. We have added such expenditure to (i) above. In some cases of exceptionally high expenditure booked under finance accounts, the additional information and notes submitted by the states were taken into account to correct for accounting inconsistencies.

iii) Annual releases from the NCCF were deducted from the total expenditure under 2245 as these had been earmarked for specific calamities of an exceptional nature.

iv) We have taken the total obtained in (iii) above as the expenditure on calamity relief for that particular year. We have adjusted these figures for inflation in the respective years to arrive at the value of these expenditures at 2009-10 prices and the average expenditure for the period 2001-08.

v) We found that in the past, there has been some lack of clarity regarding states which were entitled to an additional amount on account of low fiscal capacity. We decided to include in this category all special category states, and all states with per capita income below the all-state average per capita GSDP of Rs. 30,203 (2006-07), viz. Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Orissa, Rajasthan and Uttar Pradesh. We have, therefore, allowed the above-mentioned states an increase of 30 per cent on the figures arrived at in (iv) above in order to compensate for the possibility of lack of resources constraining their average expenditure on calamity relief.

vi) We further compared the figures arrived at above, with an amount 10 per cent above the CRF size for the year 2009-10, as recommended by FC-XII and adopted the higher of the two numbers as the base year estimate, to ensure that at least the current level of funding is maintained across states.

vii) Finally, we have allowed a 5 per cent increase every year to arrive at the projection for the award period.

11.92 We recommend the aggregate size of all SDRFs as Rs. 33,581 crore, the state-wise year-wise breakup of which is given in Annex 11.1.

11.93 We recommend that 75 per cent of the SDRF for general category states and 90 per cent for special category states, as arrived above, be contributed by the Centre as grants-in-aid. Along the lines of the present CRF, these funds should be released to the states by the Ministry of Finance as per the guidelines that may be put in place by the Ministry of Finance/nodal ministry. The central and state-wise share for each year is given in Annex 11.2. As a prerequisite to this, the states should create the State Disaster Relief Fund in their respective public accounts (under interest bearing deposits) and transfer the balances under the CRF as on 31 March 2010 to the SDRF.

11.94 On the accounting practice, we are of the view that the current practice, of meeting the expenditure under sub-major heads 01, 02 and 80 of the major head 2245, showing transfers to the fund under 05-101 and showing a 'deduct amount met from SDRF' under 05-901, needs to be continued. This brings in more transparency in expenditure reporting and enables effective audit. Direct expenditure from the public account should be eschewed in future. Even if, for administrative reasons, expenditure on relief has to be met under a head of account other than 2245, it should be finally booked under 2245 through an inter-account transfer. A similar accounting mechanism should be followed for the amounts received from NDRF as well.

11.95 We recommend that those states that have not been following this accounting system should switch over to this arrangement from 1 April 2010. The Ministry of Finance should ensure that these norms are adhered to and that release of the second instalment of 2010-11 as well as subsequent instalments should be linked to strict adherence to the accounting norms given above. The C&AG may appropriately review the adherence to these prescribed accounting practices.

11.96 In our opinion, the provision to mandatorily constitute DDRFs under the DM Act merits a review. If DDRFs were to be maintained in the manner of the NDRF or the SDRF, states would lose the flexibility of pooling of resources for calamity relief and such an approach would only lead to fragmentation of resources without any tangible benefit. Hence, it may be left to the states to decide on whether they should constitute DDRFs or whether funds could be effectively routed to each district with the approval of SECs from the SDRF in the manner currently being followed under the CRF. Section 48(1) of the DM Act may, therefore, need to be amended to provide for such an option to the states.

List of Calamities

11.97 The scope of the scheme is another issue where the Act has brought about a paradigm shift. Till date, the Finance Commissions have been prescribing a list of natural calamities, relief expenditure on which could be funded under the scheme. This list was originally drawn by FC-II and last modified by FC-XII.

11.98 With the Act coming into force, the definition of disaster widens to cover even man-made causes and accidents. As stated earlier, the focus of the definition of the Act is on the impact of the calamity. However, for the purpose of operationalisation of the provisions of the Act, there is a need to have a concrete list of events and stipulation of the norms of funding under the Act.

11.99 The states have requested the addition of certain events such as cold and heat wave, frost, lightning, and sea erosion to the list of calamities.

We feel that events like heat and cold wave and frost are very difficult to quantify and the scale of severity would vary from region to region. Lightning is a localised event which does not have widespread impact. Sea erosion is an occurrence which takes place over a period of time, and hence, may be best tackled through mitigation efforts.

11.100 In our opinion, as far as the SDRFs are concerned, the existing list of natural disasters adopted by the Finance Commissions has covered the needs of the states to a very large extent. The list covers most of the prevalent events. However, for very specific events that could even be man-made and require very high level of funding, but may have low chance of occurrence, financing of relief arrangements should best be left out of the SDRFs. The Government of India may consider financing disaster relief in respect of such man-made disasters out of the NDRF, after the list of eligible disasters has been drawn and the norms for funding carefully stipulated. If such man-made disasters are to be included, adequate additional budgetary allocations may have to be provided.

11.101 The Public Liability Insurance (PLI) Act, 1991, notified presently for specified quantities of 179 explosive, toxic and highly reactive chemicals, establishes the principle of liability for enterprises engaged in hazardous activities. Setting up of the Environment Relief Fund (ERF) under the Act in 2008 has further strengthened its provisions. As on 31 March 2009 the ERF has a corpus of Rs. 285 crore. The legal framework, therefore, provides another source of relief for financing man-made disasters. The PLI Act needs to be strengthened by appropriate inflation indexation of the amount of relief provided in the schedule and by expanding the list of chemicals covered under the Act.

Capacity Building

11.102 Effective disaster response requires trained manpower to deal with complex situations where effective and speedy handling can reduce the impact of a disaster on human life and property. It is necessary to continuously undertake measures to build capacity amongst those handling response and creating awareness amongst people. An additional grant of Rs. 525 crore is being recommended on the basis of the overall size of the SDRF of a state, wherein the allocated amount has been fixed at Rs. 5 crore, Rs. 15 crore, Rs. 20 crore and Rs. 25 crore if the average annual allocation for the concerned state is less than Rs. 50 crore, Rs. 100 crore, Rs. 200 crore and Rs. 500 crore respectively and at Rs. 30 crore if the allocation is more than Rs. 500 crore. This amount may be used for taking up activities for building capacity in the administrative machinery for better handling of disaster response and for preparation of district and state level disaster management plans as envisaged in the DM Act. The allocation for each state is given in Annex 11.3.

Fund for Pooled Procurement

11.103 The role of the recently created National Disaster Response Force is crucial in responding to disasters that are of a severe nature and require immediate relief to the affected. Our discussion with the NDMA and the State Governments highlighted the fact that procurement of relief material on short notice often comes with an associated premium in pricing and could adversely impact quality. It is suggested that a national inventory of equipment and material is maintained for providing immediate relief. It is also advisable to keep ready an inventory of items such as life saving equipment and tents etc. with the National Disaster Response Force. We, therefore, propose that an initial grant of Rs. 250 crore, in the form of a revolving fund, be provided to the National Disaster Response Force for the purpose. Whenever these articles are used for responding to a calamity, the cost (or rent for those items that can be reused) should be booked to the overall cost of relief operations incurred by the concerned State Government and the inventory replenished on a regular basis.

Risk Pooling and Insurance

11.104 As regards risk pooling and insurance, we are inclined to agree with the views expressed by the earlier Finance Commissions on this subject, that the pooling of disaster risk at the individual level poses huge administrative challenges in a country like India where the majority impacted by disasters are primarily the poor who have, consequently, very little capacity to pay the risk premia involved. Apart from the fact that payment of risk premia towards insurance against natural disasters could be a highly unpopular step, the administrative cost of collection of such premia from a large number of potential beneficiaries spread over a wide geographical area would, indeed, be daunting. Disaster relief has long come to be viewed as a public good, to be delivered *gratis* by the state, and in the very likely event that no (or an insignificantly small) insurance premia can be levied, the very concept of risk pooling would become infructous. In our view, for high-frequency-low intensity disaster events, it would indeed be cheaper for the State Governments to directly provide disaster relief, as is being done presently, instead of going through an insurance intermediary. For low frequency-high impact disasters, financing through insurance mechanisms is certainly a feasible option. However, given the low level of insurance penetration in India, insurance products covering disaster events may only materialise sometime in the future.

Administrative Mechanism

11.105 The administrative mechanism envisaged in the DM Act needs to be put in place, clearly spelling out the powers and responsibilities at each level of the structure. The NDRF may be operated by the National Executive Committee, as provided in the Act, under the overall directions of the NDMA. Further, the SDRFs, including the grant, as recommended by the Commission, along with the state's share, may be operated by the State Executive Committee, as provided under the Act, under the overall directions of the SDMA.

11.106 Currently, while the administrative aspects are dealt with by the Ministry of Home Affairs (other than a few disasters, as mentioned earlier), the financial matters are handled by the Ministry of Finance. We feel that this mechanism should be continued for the administration of the NDRF as well as the SDRF under the overall structure mandated by the DM Act.

Summary of Recommendations

11.107 Our recommendations are summarised below:

i) The CRF to be merged into the SDRFs of the respective states and the NCCF into the NDRF. Contribution to the SDRFs to be shared between the Centre and states in the ratio of 75:25 for general category states and 90:10 for special category states (paras 11.78, 11.79, and 11.82).

ii) Balances as on 31 March 2010 under NCCF and the state CRFs to be transferred to the NDRF and respective SDRFs (paras 11.78 and 11.93).

iii) Budgetary provisions for the NDRF to be linked to expenditure of the previous year from the fund. With cesses being subsumed on introduction of the GST, alternative sources of financing to be identified (Para 11.78).

iv) Total size of the SDRF has been worked out as Rs. 33,581 crore to be shared in ratio given above. (Para 11.92)

v) An additional grant of Rs. 525 crore provided for capacity building (Para 11.102).

vi) Assistance of Rs. 250 crore to National Disaster Response Force to maintain an inventory of items required for immediate relief (Para 11.103).

vii) Provisions relating to the DDRF in the DM Act may be reviewed and setting up of these funds left to the discretion of the states (Para 11.96).

viii) Mitigation and reconstruction activities to be kept out of the schemes funded through FC grants and be met out of overall development plan funds of the Centre and the states (Para 11.83).

ix) The list of disasters to be covered under the scheme financed through FC grants to remain as it exists currently. However, man-made disasters of high-intensity may be considered for NDRF funding once norms have been stipulated and requisite additonal allocations made to the NDRF (Para 11.100).

x) The administrative mechanism for disaster relief to be as prescribed under the DM Act, i.e., the NDMA/NEC at the Centre and the SDMA/SEC at the state level. Financial matters to be dealt with by the Ministry of Finance as per the existing practice (paras 11.105 and 11.106).

xi) Prescribed accounting norms to be adhered to for the continuance of central assistance to the SDRFs (Para 11.95).