

Fiscal arrangements for financing relief, recovery and reconstruction.

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History of recovery and relief financing Milestones achieved

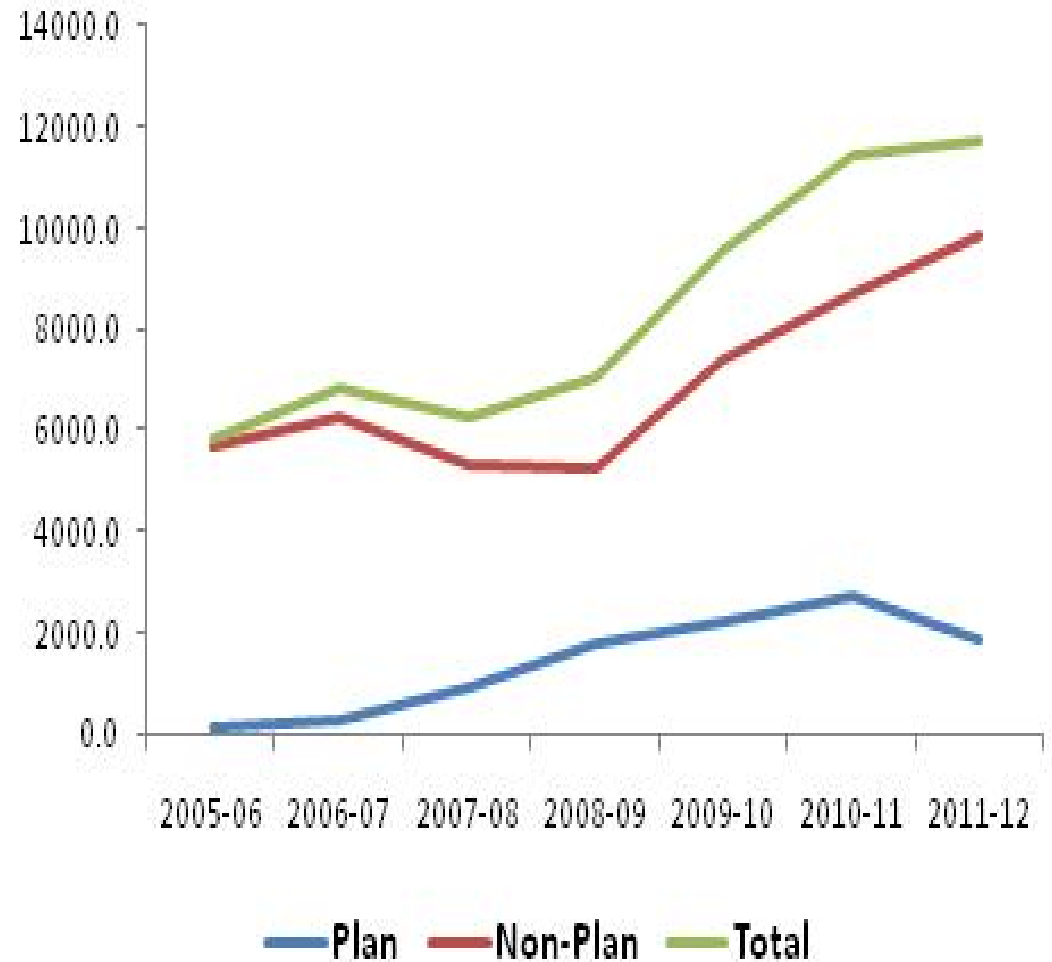
- Disaster relief and recovery finance goes back to the 2nd Finance Commission (1957) where the concept of “margin money” was introduced.
- The 9th Finance Commission (1988) recognised the need to have a separate Calamity Relief Fund (CRF) which provides more autonomy and accountability to the states.
- The 10th Finance Commission (1995) recommended setting up of a National Fund for Calamity Relief (NFCR).
- The system evolved with the introduction of the Disaster Management (DM) Act, 2005.
- 13th Finance Commission (2009), the CRF was merged into State Disaster Relief Fund (SDRF) and the National Fund for Calamity Relief (NFCR) was converted into the National Disaster Relief Fund (NDRF).

Finance and budget

- More budgetary support for DRM
- Need to create a National Disaster Mitigation Fund.
- Strategic interventions for mainstreaming DRR in public finance and budget
 - Stepping up dedicated investments on DRR
 - Recalibrating existing development schemes for optimizing benefits for DRR

Trend of allocations on dedicated schemes

Year	Allocations (Rs. Cr.)
2005-06	5827.7
2006-07	6865.2
2007-08	6273.5
2008-09	7059.4
2009-10	9585.8
2010-11	11417.4
2011-12	11708.5



Types of Funds As envisaged under the DM Act, 2005

Two types of funds:

- Response funds and Mitigation Funds
 - 1 For post-disaster: Response funds are used.
- DM Act, 2005 provides for creation of SDRF, NDRF and NDMF
 - 2 National level: NDMF- not yet set up
 - 2 State level: State Disaster Response Fund (SDRF) and State Disaster Mitigation Fund (SDMF)

How NDRF is financed?

- National Calamity Contingency Duty (NCCD)
- Approved annually through the finance bill.
- Additional Budgetary support provided when necessary.
- Person or institution contribution.

How SDRF is financed?

- Primary Fund available for disaster response.
- Corpus of SDRF recommended by the Finance Commission under Article 275 (1) of the Constitution over 5 years.
- Corpus based on past expenditure method.
- 75 percent financed by Centre for general category state,
- 90 percent for special category states as grants-in-aid.
Rest financed by states own budget.

SDRF of Himachal Pradesh from 2015-16 to 2019-20

Years	Central Share Rs. In crore	State Share in Crore
2015-16	212	24
2016-17	223	25
2017-18	234	26
2018-19	246	27
2019-20	259	28
Total	1,174	130

Use of SDRF

- The DM Act, 2005 defines a disaster to mean 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, the environment'
- The Act, however, does not quantify terms like substantial loss of life, or human suffering. (13th FC).
- List of eligible disasters drawn by earlier Finance Commissions.
- The list however does not cover all location/state specific disasters (e.g., lightning, heat waves, cloudbursts etc.)
- The 14th FC recommended that states can use up to 10 percent of the SDRF for disasters not listed in the list of disasters of Ministry of Home Affairs.

Check Lists for disaster risk reduction

- Government of India notification of 2009 requiring any new project costing more than INR1000 million to have a *Check List for Natural Disaster Impact Assessment*
- Check list provides complete information on hazards, risks and vulnerabilities of the project.
- These include both (a) probable effects of natural disasters on the project, and (b) possible impacts of the project in creating new risks of disasters.
- Costs involved in prevention and mitigation of both types of impacts shall be built into project costs and accordingly economics and viability of projects shall be worked out.

A lot needs to be done...

- Creation of a mitigation fund.
- Size of SDRF and NDRF.
- Need for a stable source of financing for reconstruction. Currently funds are provided only for relief and rehabilitation not reconstruction.
- Need to revise and validate the Hazard Risk Vulnerability Index upto the Village level.
- Management of funds so they are easily available in the event of a disaster.

Thank you!