

Standing Committee Report Summary

Central Assistance for Disaster Management and Relief

- The Standing Committee on Finance (Chairperson: Dr. M. Veerappa Moily) submitted its report on ‘Central Assistance for Disaster Management and Relief’ on February 13, 2019. Under the Disaster Management Act 2005, financial assistance is provided to disaster-affected states from the State Disaster Response Fund (SDRF) and the National Disaster Response Fund (NDRF). Where assistance from SDRF is insufficient, additional assistance from the NDRF is provided in case of calamities of severe nature. Key observations and recommendations made by the Committee include the following:
 - **Scale of relief:** Some disaster-prone states such as Odisha submitted to the Committee that major items of relief expenditure are not covered under existing SDRF and NDRF norms. Therefore, the Committee recommended that rates and scale of assistance under SDRF and NDRF should be enhanced to cover major heads of expenditure. This includes restoration of all government educational institutions, non-residential government buildings, and transmission power sub-stations. The Committee also recommended that funds for relief should be based on vulnerability of the state rather than past expenditure on the state.
 - **Disaster Mitigation Fund:** The Committee recommended that a separate Disaster Mitigation Fund should be operationalised for undertaking permanent mitigation measures in disaster-prone states. It stated that any investment on mitigation and prevention of disaster risk will go a long way in significantly reducing expenditure on relief and disaster response. Further, the Committee recommended that comprehensive insurance coverage should be provided to all properties located in disaster-prone areas.
 - **National Calamity Contingency Duty:** The NDRF is funded through the National Calamity Contingency Duty (NCCD) imposed on specified goods under central excise and customs. The Committee noted that with the introduction of GST, the scope of NCCD is shrinking. The revenue collected from NCCD has decreased significantly from Rs 5,690 crore in 2015-16 to Rs 2,500 crore in 2018-19. The Committee stated that the GST Council and Ministry of Finance should take a view on augmenting this fund.
 - **Funding mechanism:** The Committee made various recommendations related to the funding mechanism for disaster relief. It recommended that an additional 10% of the allocation of the centrally sponsored schemes may be specially earmarked for permanent restoration of damaged structures. Further, in order to bring greater flexibility to the funding mechanism, the Committee recommended that borrowing powers of affected states may be enhanced in the event of a disaster.
 - The Committee noted that 10% of the annual fund allocation of the SDRF may be used for localized state-specific natural calamities. It recommended that this 10% limit should be done away with and all expenditure towards state-specific disasters should be charged to the SDRF. The Committee recommended a 10% increase to the corpus of the SDRF to accommodate this expenditure.
 - Given the wide gap between the funds sought by affected states and those released by the central government, the Committee recommended an annual increase of 15% (from the current 5%) in the total corpus of SDRF, for the period 2020-25. Further, it recommended that there should be a provision for automatic release of advance amounts from the NDRF in case of disasters of rare severity, to enable immediate relief work.
 - In view of the recommendations made on modifying financial arrangements, the Committee recommended that the Ministries of Finance and Home Affairs submit a revised memorandum to the 15th Finance Commission. It further suggested that suitable changes be made to the Disaster Management Act, 2005, in case required.

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