



Disaster Risk Financing: Finance Commissions

nidm

Resilient India - Disaster Free India



Guiding Principles for the FC-XV

1 State Responsibility:

Disaster management is primarily the responsibility of individual states.

2 Comprehensive Approach:

The disaster management cycle encompasses various functions, including prevention, preparedness, response, mitigation, recovery, and reconstruction.

3 Fiscal Challenges:

With the inclusion of a substantial portion of the National Calamity Contingency Duty (NCCD) into the GST and the establishment of SDMF and NDMF, the Union Government's fiscal capacity for national-level disaster management has significantly diminished.

4 Alternative Funding:

Recognizing the importance of diversifying funding sources, the report emphasizes the role of market instruments in risk management.

Subsequent Finance Commissions

FC-10th

FC-10th proposed operational arrangements for Calamity Relief Funds (CRF) and the establishment of a National Fund for Calamity Relief (NFCR) to aid states facing severe calamities on a case-by-case basis.

FC-12th

FC-12th found that the Calamity Relief Fund (CRF) fulfilled immediate relief needs, suggested broadening the list of covered calamities, and recommended the continuation of the National Calamity Contingency Fund (NCCF).

FC-14th

FC-XIV introduced a dedicated chapter on Disaster Management. One of its key recommendations was to suggest that appropriations into the National Disaster Response Fund consider past outflow trends. This would ensure the fund's adequacy and timely release of funds to states. Additionally, it recommended that the Union Government do the same for NDRF to ensure sufficient funds for timely state assistance.



FC-9th

FC-9th recommended the creation of Calamity Relief Funds (CRF) for each state, funded with 75% from the Centre and 25% from the states, based on 10-year expenditure averages up to 1988-89.

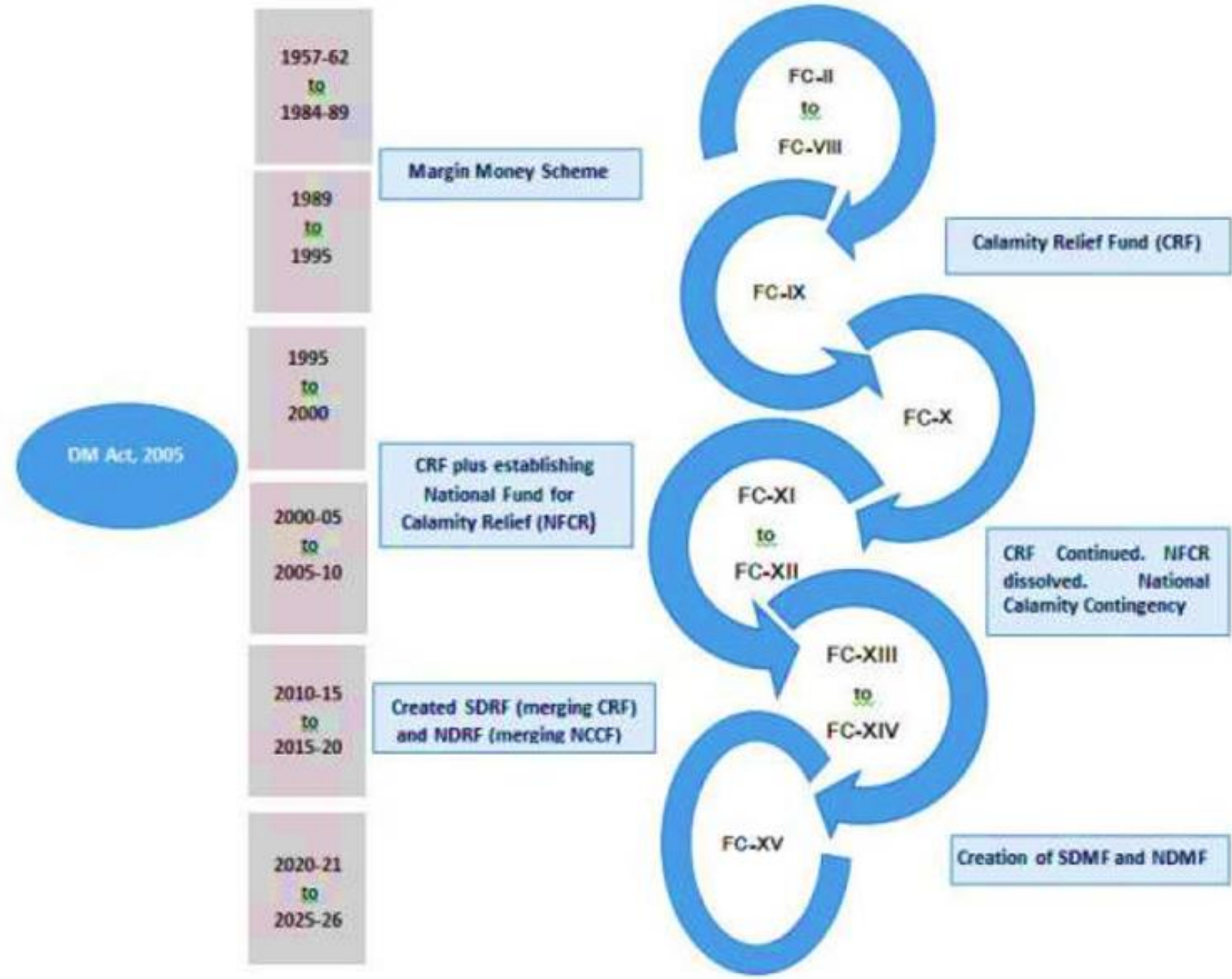
FC-11th

FC-11th 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.

FC-13th

The 13th Finance Commission (2009) integrated disaster relief under a dedicated section, merging NCCF and CRF balances into the NDRF and SDRF, respectively, in line with the Disaster Management Act of 2005 for more effective disaster response. The administrative mechanism for disaster relief was recommended to be formed as prescribed under the DM Act, i.e., the National Disaster Management Authority (NDMA)/National Executive Council (NEC) at the Centre and the State Disaster Management Agency (SDMA)/State Executive Council (SEC) at the state level.

Evolution of Disaster Risk Financing in India



Annual Allocation for States for Disaster Management

Year	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Union share	22184	23294	24466	25688	26969	122601
States' share	6799	7137	7491	7864	8261	37552
Total						
(Union + States' share)	28983	30431	31957	33552	35230	160153
Percentage increase over previous year	-	5	5	5	5	

Distribution of Total States Allocation

Funds (percentage distribution)	Amount
SDMF (20)	32031
SDRF (80)	128122
<i>i) Response and Relief (40)</i>	64061
<i>ii) Recovery and Reconstruction (30)</i>	48046
<i>iii) Preparedness and Capacity Building (10)</i>	16015
Total (SDMF + SDRF) (100)	160153

Distribution of Total National Allocation

Funds	Amount (Rs. crore)	Percentage Share
NDMF	13693	20
NDRF	54770	80
Total (NDMF+NDRF)	68463	100

Windows of NDRF

Windows of NDRF	Amount (Rs. crore)	Percentage Share
Response and Relief	27385	40
Recovery and Reconstruction	20539	30
Preparedness and Capacity Building	6846	10
Total NDRF Corpus	54770	80

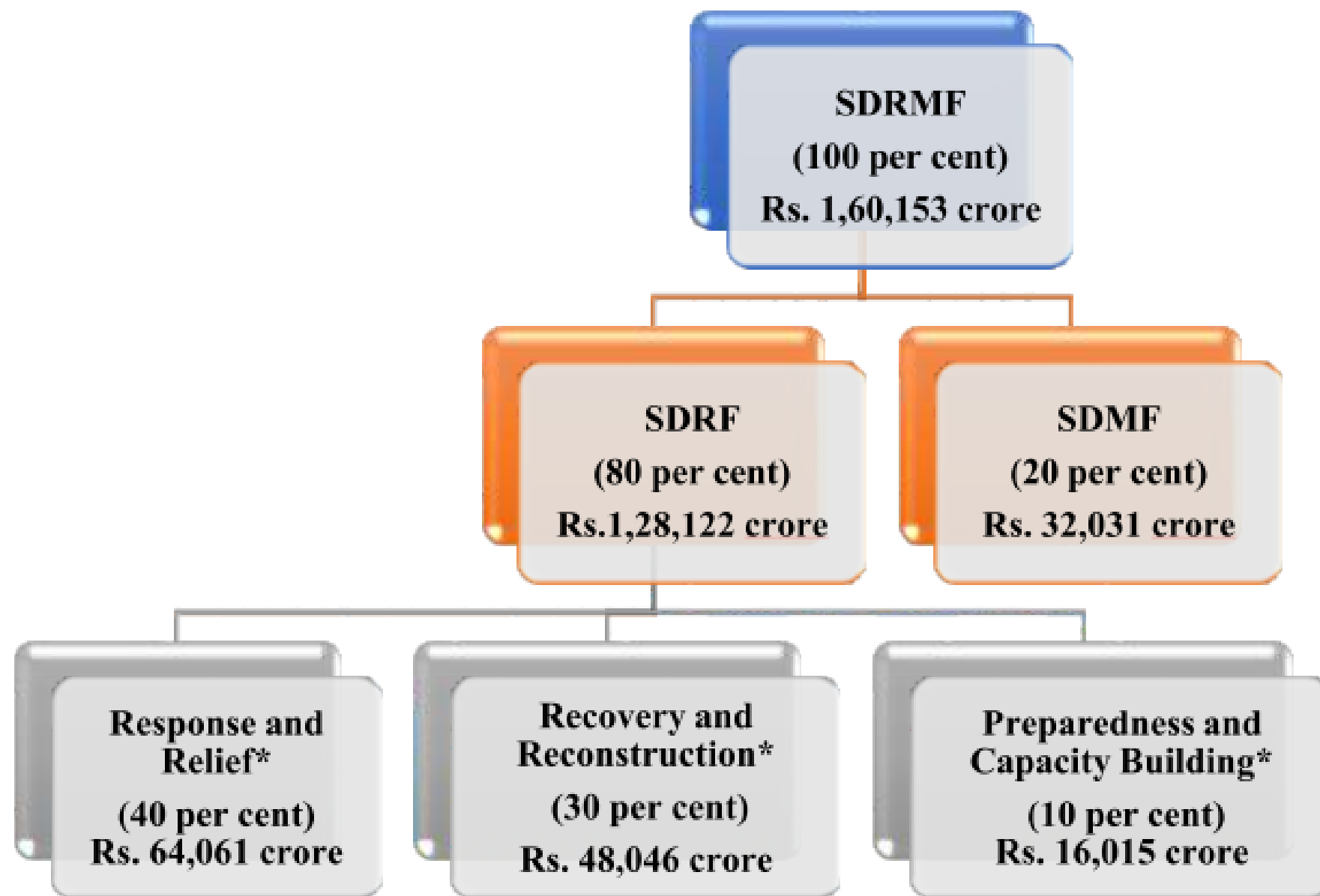


Figure. Earmarked Funds for **SDRMF**

** Reallocation within the three sub-windows is recommended.*

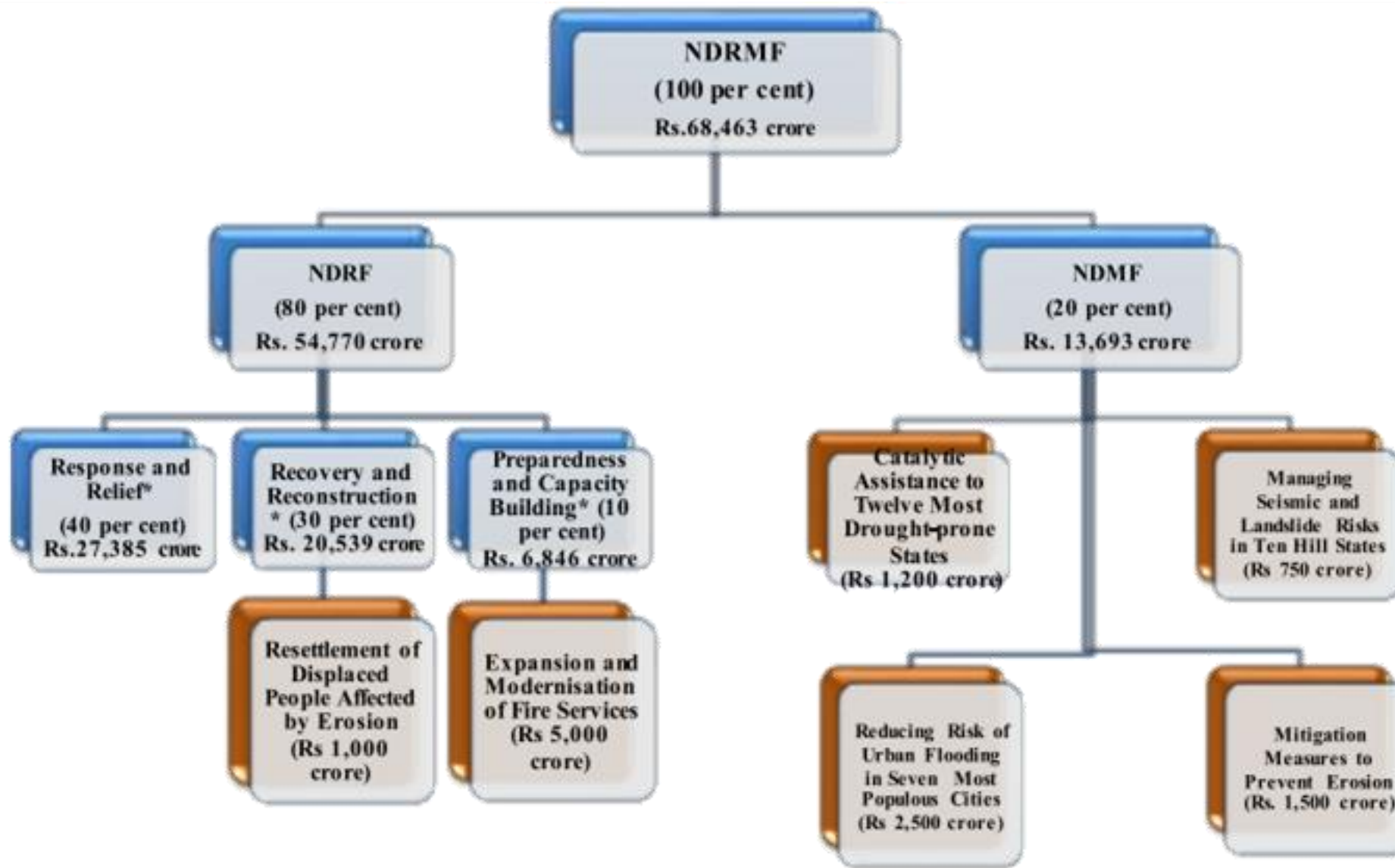


Figure. Earmarked Funds for **NDRMF**

** Reallocation within the three sub-windows is recommended, subject to the condition that earmarked allocations under the respective sub-window is duly fulfilled.*

Summary of Earmarked Allocations

Funding Windows	Earmarked Purpose	Total Allocations (2021-26)
NDRF (Capacity Building)	Expansion and Modernisation of Fire Services	5000
NDRF (Recovery and Reconstruction)	Resettlement of Displaced People affected by Erosion	1000
Sub-total (under NDRF)		6000*
NDMF	Reducing the Risk of Urban Flooding in Seven Most Populous Cities	2500
NDMF	Catalytic Assistance to Twelve Most Drought-prone States	1200
NDMF	Managing Seismic and Landslide Risks in Ten Hill States	750
NDMF	Mitigation Measures to prevent Erosion	1500
Sub-Total (under NDMF)		5950**
Grand Total		11950

*This amount of Rs. 6,000 crore shall be earmarked out of the total NDRF corpus of Rs. 54,770 crore.

**This amount of Rs. 5,950 crore shall be earmarked out of the total NDMF corpus of Rs. 13,693 crore.

Salient Features of the NDMF/SDMF Guidelines

1

- SDMF and NDMF Guidelines issued on 14.01.2022 and 28.02.2022 respectively.
- Contribution to SDMF will be in the ratio of 90:10 for NE & Hill States; 75:25 for other States.
- Central contribution to SDMF to be released in 2 instalments.
 - I. 1st in June, subject to certificate on crediting State share and NDMF releases in SDMF.
 - II. 2nd in December, subject to furnishing annual report on expenditure of SDMF.
- Closing balance as on 31st March of each financial year in the SDMF shall become the opening balance for the next financial year till 2025-26.

Salient Features of the Guidelines

2

- State Government to transfer their contributions in SDMF, within 15 days of receipt of Central Share of SDMF and NDMF.
 - In case of delay, the State Government is required to contribute the amount with interest at bank rate of RBI.
- SDMF to be invested in 3 instruments:
 - Central Government dated securities;
 - Auctioned Treasury Bills; and
 - Interest earning deposits and certificates of deposits with Scheduled Commercial Banks.
- Accounts of SDMF to be maintained by Accountant General of the State.
- Comptroller & Auditor General (CAG) to conduct audit/ performa audit of SDMF

Salient Features of the Guidelines

- From NDMF, allocations of Rs 5,950 crore earmarked for a period of 5 years.
- States to undertake following non-structural measures for flood mitigation:
 - Adopting Integrated Flood Management approach by considering river basin as a hydrological unit.
 - Real Time Hydro-meteorological Data Acquisition Network coupled with Decision Support System for integrated or standalone operation of reservoir(s).
 - Delineation and demarcation of flood plain zones on certain notified stretch(es) of river(s) within the State and regulation of various activities permissible therein.
- Additional financial assistance from NDMF to be on a graded cost-sharing basis, as recommended by the XV FC.

Salient Features of the Guidelines

- NDMF/ SDMF will be applied by NDMA/ SDMA for appraisal, monitoring and supervision of mitigation projects.
- Projects to be funded from NDMF for earmarked allocation should be complete within the award period, and no spill over shall be allowed.
- MHA is the nodal Ministry for overall operation and monitoring of NDMF/ SDMF.
- MHA, with the concurrence of DoE can alter/ modify guidelines as considered necessary.

Salient Features of the Guidelines: Limitations

- At least 10% of the NDMF/ SDMF each year should be earmarked for nonstructural measures.
- In a year, not more than 50% of NDMF and SDMF may be utilized for measures/projects to mitigate risks from a single hazard.
 - On State's, this can be relaxed by MHA.
- Up to 5% of the NDMF and SDMF may be earmarked for small grants window for research/ studies.
- Minimum value of Rs. 10 crore for a mitigation project to be financed from NDMF for structural measures.
- Funds not to become a source of funding for existing Government programmes or for maintenance/ upkeep of any structure.
- Mitigation Funds shall not be used for general environment improvement etc.
- Funds not to be used for paying salaries of staff except for project technical staff.

Salient Features of the Guidelines:

- Mechanism for processing of funding proposals from NDMF/ SDMF:
 - NDMA/ SDMA to constitute a Committee headed by a Member of NDMA/ SDMA with Members from line Departments and other stakeholders.
 - Central agencies/ States to send proposal to MHA/ State DM Department.
 - Proposal after appraisal by NDMA/ SDMA Committee to be considered by SCNEC/ SEC.
 - Proposal to be approved by HLC for NDMF and SEC for SDMF.
 - On approval, funds to be released to States as per practice for NDRF/ SDRF.
- Release of central contribution of SDMF in advance in case of exigency, on the lines of SDRF.

Salient Features of the Guidelines:

- Disaster management authorities will develop long term mitigation strategies.
 - Procurement of Goods and Services in accordance with the latest GFR and from GeM portal, to ensure transparency in procurement.
 - State Government should allocate resources to districts for mitigation on annual basis.
 - NDMA should develop disaster database for both preparedness and mitigation plans.
- Mitigation projects must have verifiable and measurable outcomes.
- NDMA will develop an outcome framework against annual allocations, expenditure, key achievements and results for both NDRMF and SDRMF.

XV FC allocation for 12 drought prone States

(Rs. In crore)

States	Annual Allocation
Andhra Pradesh	100
Bihar	100
Gujarat	100
Jharkhand	100
Karnataka	100
Madhya Pradesh	100
Maharashtra	100
Odisha	100
Rajasthan	100
Tamil Nadu	100
Telangana	100
Uttar Pradesh	100
Total	1200

XV FC allocation for seismic and landslide risk

Allocation for 10 hill states

(Rs. In crore)

States	Annual Allocation	Total Allocation (2021-26)
Himachal Pradesh	50	250
Uttarakhand	50	250
All North-Eastern States	100	250
Total		750

XV FC allocation for reducing the risk of urban flooding in seven most populous cities

Allocation for seven most populous cities.

(Rs. In crore)

Cities	Annual Allocation	Total Allocation (2021-26)
Mumbai	100	500
Chennai	100	500
Kolkata	100	500
Bengaluru	50	250
Hyderabad	50	250
Ahmedabad	50	250
Pune	50	250
Total	500	2500

THANK YOU



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