

Chapter – V:

Resources and Funding arrangements

Provision of timely and adequate funding is a crucial aspect in disaster preparedness. Even the most well designed mitigation or response program can fail to get results for want of sufficient funds. For emergency response, it is important that funding is available in time and reaches the affected people quickly.

Ministry of Home Affairs (MHA) is the nodal Ministry responsible for providing financial assistance in the wake of natural calamities. Based on the recommendations of the Thirteenth Finance Commission, the schemes of State Disaster Response Fund and National Disaster Response Fund were made operative for a five year period (1 April 2010 to 31 March 2015). The budgetary provision of the relief funds was to be dealt with by the Ministry of Finance (MoF), while the processing of request of the State Government for these funds was to be done by the DM Division of MHA.

The guidelines for administration of the funds were issued by MHA in September 2010. The guidelines prescribed that the State Disaster Response Fund and National Disaster Response Fund were to be used only for meeting expenditure for providing immediate relief to the victims of cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst and pest attack. The expenditure on disaster preparedness, restoration, reconstruction and mitigation were not to be met from National Disaster Response Fund. These were to be met from the plan funds of the states.

DM Act also provided that the Central Government could, by notification in the official gazette, constitute a fund to be called the National Disaster Mitigation Fund (NDMF) for funding the projects geared exclusively for the purpose of disaster mitigation. The fund was to be placed at the disposal of NDMA.

We noticed several deficiencies in allotment and utilisation of these funds.

5.1 State Disaster Response Fund

The State Disaster Response Fund was constituted under section 48(1) (a) of the Disaster Management Act, 2005. It came into force from 2010-11 onwards. Till 2010, there was a Calamity Relief Fund (CRF), the balance of which was merged into the State Disaster Response Fund from 2010-11.

The amount of annual contribution to the State Disaster Response Fund of each state for each of the financial years 2010-11 to 2014-15 were recommended by the Thirteenth Finance Commission. Accordingly, the Government of India (GoI) approved allocation of ₹ 33580.93 crore to all the states under State Disaster Response Fund for the five year period.

Government of India was to contribute to these funds, 75 *per cent* of the total yearly allocation for general category states and 90 *per cent* for special category states¹ in the form of non-plan grant. The balance 25 *per cent* in the case of general category states and 10 *per cent* in case of special category states was to be contributed by the respective State Governments.

The scheme provided for release of central share under State Disaster Response Fund in two equal instalments, in the months of June and December. The first instalment of central contribution to State Disaster Response Fund for 2010-11 was to be released unconditionally. The second instalment for 2010-11 and subsequent instalments were to be released on receipt of confirmation of accounting procedure and compliance with other conditions of the guidelines.

The year-wise shares of the Government of India and the State Governments of 2010-11 and 2011-12 are given in Table 5.1.

¹ Special category States includes Jammu & Kashmir, Himachal Pradesh, Uttarakhand, seven North-Eastern States and Sikkim

Table No.5.1 Allocation and release of centre share

(₹ in crore)

Financial Year	Allocation		Total allocation	Release of Central share		Total Central Release
	Centre's share	States' share		Ist instalment	II instalment	
2010-11	4677.82	1399.48	6077.30	2338.91	1998.72	4337.63
2011-12	4911.70	1469.48	6381.18	2500.83	1778.63	4279.46

5.1.1 Monitoring by MHA

All states had constituted State Disaster Response Fund except Jammu and Kashmir. The progress of constitution of State Disaster Response Fund in the State of Jammu and Kashmir was not available with MHA.

As per Para 11(iv) of guidelines, the State Governments were to furnish certificates to MHA and MoF in the months of April and October every year indicating that the amount received earlier had been credited to the State Disaster Response Fund along with the state's contribution. This was to be accompanied by a statement of up-to-date expenditure and the balance available in the State Disaster Response Fund, in a prescribed format.

We noticed that states were not sending the details of utilisation and balances regularly. Details of State Disaster Response Fund as of March 2012 were not received in the Ministry from 10 states² (August 2012). Thus, crucial information for regulating further release of funds to states from State Disaster Response Fund and National Disaster Response Fund was not available with MHA.

MHA stated (September 2012) that it had withheld further releases to Jammu and Kashmir government as they had not yet constituted State Disaster Response Fund.

²Chhattisgarh, Goa, Gujarat, Haryana, J&K, Manipur, Meghalaya, Mizoram, Sikkim, Tripura

It further stated that efforts would be made to ensure that State Governments submitted the requisite certificates in time.

5.1.2 Non investment of balances available under State Disaster Response Fund /CRF

As per the guidelines, the accretion to the State Disaster Response Fund/CRF together with the income earned on the investment of unspent amounts was to be invested in:

- ✓ Central Government securities,
- ✓ Auctioned treasury bills and
- ✓ Interest earning deposits and certificates of deposits with scheduled commercial banks.

We noted that five of the test checked states had not invested unspent balances in their State Disaster Response Funds/CRFs resulting in potential loss of interest of ₹ 477.99 crore. Details of loss of interest in the states are shown in table 5.2.

Table No 5.2: Loss of interest due to non investment of State Disaster Response Fund/CRF

State	Period	Amount involved (unspent balances ranging)	Interest loss*
		(₹ in crore)	
Gujarat	2010-11 to 2011-12	62.76 to 1231.56	189.86
Odisha	2008-09 to 2011-12	239.69 to 1472.47	25.16
Rajasthan	2008-09 to 2009-10	531.47 to 555.28	65.21
Uttarakhand	2007-08 to 2011-12	5.91 to 67.20	9.96
West Bengal	2005-06 to 2011-12	119.85 to 740.05	187.80
Total			477.99

(*calculated at the rate of six per cent per annum)

5.1.3 Inadmissible expenditure from State Disaster Response Fund

We noted that states incurred an expenditure of ₹ 345.03 crore on inadmissible components in violation of

the guidelines of the State Disaster Response Fund during 2007-08 to 2011-12. Details of inadmissible expenditure in the selected states are shown in Table 5.3.

Table No. 5.3: Inadmissible expenditure

State	Inadmissible amount (₹ in crore)	Amount utilised for
Andhra Pradesh	3.29	Supply of drinking water during summer and other inadmissible items
Gujarat	236.95	Expenditure incurred on relief even when there was no disaster in the state
Maharashtra	3.26	Operation and maintenance of machinery and equipment
Odisha	53.83	Expenditure other than relief and restoration as well as expenditure on ex-gratia for lightening
West Bengal	47.70	Creation of spot sources of drinking water and non prescribed items for police etc.
Total	345.03	

5.1.4 Incorrect accounting of State Disaster Response Fund

State Disaster Response Funds were to be classified under 'Reserve funds bearing interest' in the public accounts of the State Governments concerned.

We noted that in **Andhra Pradesh**, out of ₹ 78.22 lakh drawn (May 2010) from State Disaster Response Fund, ₹ 57.65 lakh was spent and the balance amount of ₹ 20.57

lakh was remitted to departmental receipts on the orders of Director of Animal Husbandry, Hyderabad.

We also noted that ₹ 25.82 lakh was drawn (August-November 2010) for relief measures during floods and Jal Cyclone. This amount was not remitted back to State Disaster Response Fund account.

5.1.5 Other areas of concern:

- In **Andhra Pradesh**, funds were released by the SDMA with delays ranging from three months to one year from the date of occurrence of disasters.
- In **Gujarat**, there were delays of two to eight months in actual remittance of central share to State Disaster Response Fund. There were also delays of three to nine months in actual remittance of State share.
- In **Odisha**, utilisation certificates for ₹ 526.42 crore had not been submitted by the agencies, departments, Odisha State Disaster Management Authority etc. for periods ranging from one to five years (March 2012).

- In **Uttarakhand**, there were delays in submission of utilisation certificates resulting in delays ranging from 80 days to 184 days in the release of central share during 2007-11. The department stated that district authorities never submitted utilisation certificates in time and GoI did not release funds for the year 2011-12 for want of utilisation certificates and other requisite documents.

It is evident from the above audit findings that the states need to be more vigilant and prompt in management of State Disaster Response Fund. Delay in release of funds after occurrence of a disaster defeats the purpose of establishment of a separate fund for emergency relief activities.

5.2 National Disaster Response Fund

National Disaster Response Fund was constituted under Section 46 of DM Act in the Public Account of India under 'Reserve funds not bearing interest' (September 2010). The existing National Calamity Contingency Fund (NCCF) was merged with the National Disaster Response Fund and fresh guidelines for administration of the fund, issued by MHA, came into force from 2010-11 onwards. Natural calamities, considered by the GoI to be of severe nature and requiring expenditure by a State Government in excess of the balances available in their own State Disaster Response Fund, qualified for immediate relief assistance from National Disaster Response Fund.

As per the DM Act, National Disaster Response Fund was to be placed at the

disposal of NEC to be used for emergency response, relief and rehabilitation expenses. We noted that National Disaster Response Fund was not made available to NEC and was operated by MHA in contravention of the DM Act.

5.2.1 Fund allocation and release under National Disaster Response Fund

National Disaster Response Fund was funded through transfers from "National Calamity Contingent Duty" (NCCD) imposed under Section 134 of the Finance Act, 2003 on imported multi-utility vehicles, motor car, petroleum crude, etc. Details of funds transferred to and amount released under National Disaster Response Fund /NCCF for the last five years are shown in Table 5.4.

Table 5.4: Release of amount under NCCF /National Disaster Response Fund

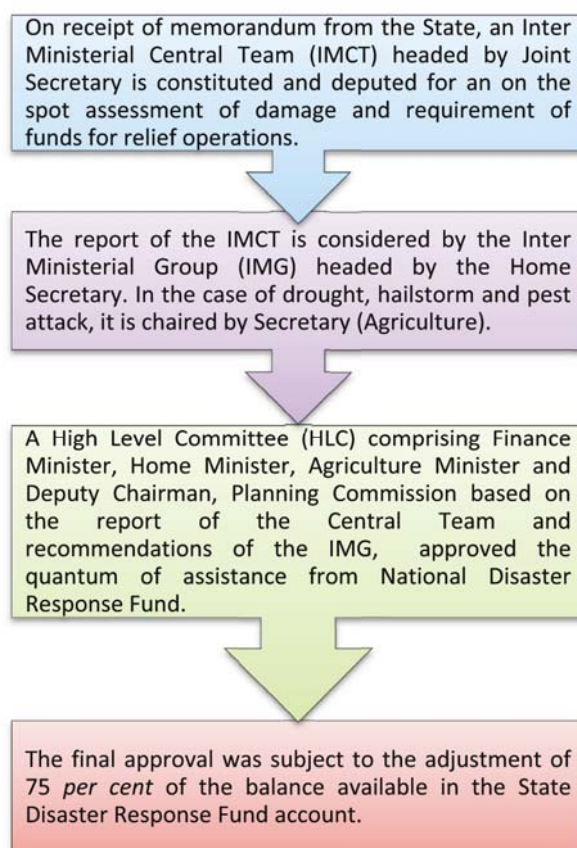
Financial Year	Opening Balance	Amount transferred to NCCF /NDRF	₹ in crore	
			Amount released under NCCF/NDRF to States	Closing Balance NCCF/NDRF
2007-08	538.07	1800	373.38	1964.69/Nil
2008-09	1964.69	1800	2279.92	1484.78/Nil
2009-10	1484.78	3160	3160	1484.78/Nil
2010-11	1484.78	3560/340.01	3560/340.01	1484.78/Nil
2011-12	1484.78	Nil/3997.92	Nil/2458.92	1484.78/1539

5.2.2 Procedure for release of funds

In order to seek central assistance in the event of a calamity of a “severe nature” the State Government is required to submit a memorandum indicating the sector-wise damage and requirement of funds. Procedure for release of funds under National Disaster Response Fund is depicted in Chart 5.1.

As per the guidelines, the report of the Inter Ministerial Central Team (IMCT) was to be examined by NEC to assess the extent of assistance and expenditure required. We, however, found that the earlier arrangement continued and the role of NEC was still performed by the IMG as indicated in Chart 5.1.

Chart 5.1: Procedure of release of fund under National Disaster Response Fund



5.2.3 Unspent funds lying with States

National Disaster Response Fund guidelines provide that the National Fund was to be used only when the requirement of fund could not be met from the balances available in State Disaster Response Fund. We noticed

cases where HLC approved release of funds from National Disaster Response Fund despite balances being available in the State Disaster Response Fund account of the concerned state. Such situations arose due to release from National Disaster Response Fund, pending the consideration of the state's memorandum and approval of exact amount required by the state.

We noted that an amount of ₹ 654.04 crore in case of Gujarat, Assam and Goa, identified as excess against the 'on account'³ release made from NCCF (now National Disaster Response Fund), was lying with these states (September 2012).

State	Year of release	Amount (₹ in crore)
Gujarat	2006-07	350.00
Assam	2008-09	300.00
Goa	2009-10	4.04

HLC in its meeting held in May 2010 decided that the excess amounts should be adjusted against their future requests of assistance from National Disaster Response Fund.

We noted that after the decision of HLC, no assistance from National Disaster Response Fund was released for calamities in these states, as there were balances in their State Disaster Response Fund accounts. Thus, the extra amounts released to these states were not restored to the National fund.

MHA stated (September 2012) that these amounts were released in pursuance of the announcement of the Prime Minister and would be adjusted against future assistance to these states.

³ Interim releases pending processing of proposal and subject to adjustment against further assistance under National Disaster Response Fund

Thus, to this extent, less funds would be available in the central fund which caters to the requirement of all the states.

5.2.4 Inadmissible releases under National Disaster Response Fund

We noted that out of ₹ 9208.30 crore approved for release by HLC during September 2010 to March 2012 funds amounting to ₹ 3090.43 crore were provided to states for repair and restoration in various sectors. This accounted for 34 per cent on inadmissible items of total approval.

MHA stated (September 2012) that the funds released under National Disaster Response Fund were based on the guidelines issued for the operation of State Disaster Response Fund / National Disaster Response Fund towards meeting the expenditure on this account. The rescue and relief operations include the repair and restoration of damaged infrastructure as given in the guidelines.

We did not find the reply correct as the guidelines explicitly restricted expenditure under this activity. The norms of assistance formulated by MHA in January 2012 allowed such releases from National Disaster Response Fund. This was not in consonance with the guidelines based on the recommendations of Finance Commission.

As per the stated policy of Gol, the repair and restoration activities after any calamity were to be funded from the state plan under its various schemes and not from the response fund i.e. National Disaster Response Fund, which was meant for immediate relief.

5.2.5 Inappropriate release on account of unseasonal rains

An amount of ₹ 1245.78 crore was released/adjusted⁴ during 2010-11 to the states of Gujarat, Maharashtra and Odisha for the damages due to unseasonal rains. Damages due to unseasonal rains were not categorised as calamity to be covered under guidelines of National Disaster Response Fund & State Disaster Response Fund releases and thus the release was not in compliance with the guidelines.

Ministry of Agriculture stated (November 2012) that although unseasonal rain was not mentioned in the list of natural calamities eligible for National Disaster Response Fund assistance, unseasonal rains are primarily due to cyclones. Cyclone was covered as a natural calamity eligible for National Disaster Response Fund assistance. The fact remains that unseasonal rain was not categorised as calamity of severe nature as per the guidelines but covered for providing central assistance by treating the same as cyclones.

⁴ The amounts were released from National Disaster Response Fund subject to adjustment of 75 *per cent* of the balances available in the State Disaster Response Fund of the state.

5.3 Non constitution of Mitigation Fund

5.2.6 National Disaster Mitigation Fund

The modalities for constitution of NDMF were discussed by MHA with MoF, Planning Commission and NDMA from time to time. The Thirteenth Finance Commission had also recommended (December 2009) that mitigation and reconstruction activities should be kept out of the schemes funded through Finance Commission grants and met out of overall development plan funds of the Centre and States.

We noted that even after a lapse of more than six years of the enactment of the DM Act, NDMF had not been constituted. In the absence of a dedicated fund, mitigation related works were also being financed through plan funds.

MHA stated (December 2012) that several Ministries had been taking steps as part of their Plan Schemes for last few plan periods on what was now considered as

‘mitigation work’. However, the proposal for creation of mitigation fund was under active consideration of the Government.

5.3.1 State Disaster Mitigation Funds

According to the DM Act, the State Governments were to create State Disaster Mitigation Fund (SDMF) and District Disaster Mitigation Fund (DDMF) immediately after the constitution of SDMA and DDMA.

In the test checked states, we noted that Odisha, Rajasthan, Tamil Nadu and West Bengal had not created SDMF and DDMF. Andhra Pradesh had not created SDMF but created DDMF during 2008-09, which was not operational. Only Maharashtra had created both SDMF and DDMF and Uttarakhand had created SDMF.

Creation of a separate Disaster Mitigation fund at national, state and district levels, as envisaged in the DM Act, would give boost to the mitigation activities at every level.

5.4 National Disaster Response Reserve

National Disaster Response Force was to provide relief to the affected people at short notice. Thirteenth Finance Commission, in its report, in December 2009 had observed that relief material to be provided by the Force in such situations was often required to be procured at high prices and by compromising on quality. The Finance Commission, therefore, recommended (December 2009) an initial grant of ₹ 250 crore in the form of revolving fund named National Disaster

Response Reserve (NDRR) to the Force to maintain an inventory of items required for immediate relief. A national inventory of equipment and material such as tents, blankets, folding beds, sleeping bags, inflatable lighting tower, life jackets, life buoy, etc. purchased from this Fund was to be maintained. These articles were to be used for responding to a calamity.

MHA in August 2010 directed NDMA to submit the proposal for creation of the national inventory of equipment

purchased from the said Fund. NDMA submitted the proposal in September 2010 and MHA instructed (November 2010) that NDMA should prepare the list of inventory of equipment and material in consultation with the Force.

NDMA was also to prepare detailed guidelines for procurement of these items, mechanism for recovering charges from states for use of these items and a monitoring mechanism. As per the timeline decided, NDMA had to submit these guidelines by December 2010. We noted that the guidelines for procurement

and recovery of charges for items of NDRR could not be finalised even after a lapse of more than one and half years.

MHA stated (September 2012) that the proposal for creation of National Disaster Response Reserve was under active consideration of the Government.

With delay in operationalisation of National Disaster Response Reserve and consequent absence of necessary relief material, the Force cannot be said to be fully equipped in responding to disaster situations at short notice.

Recommendations:

- ***In order to ensure timely release of State Disaster Response Fund to states, MHA should strengthen its monitoring mechanism to obtain details of utilization and unspent balances under State Disaster Response Fund from states regularly.***
- ***MHA should ensure investment of the unspent balances under State Disaster Response Fund by the states.***
- ***Repair and restoration activities should be funded from plan funds and not from National Disaster Response Fund which was needed to be utilised for relief works as recommended by the 13th Finance Commission.***
- ***Disaster Mitigation funds at national, state and district level should be created to boost the mitigation activities.***
- ***National Disaster Response Reserve should be operationalised at the earliest.***