

## **COURSE : DISASTER MANAGEMENT (MA/ MSc PART I)**

**Paper : V**

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**Topic : Importance of Finance in Disaster Management**

### **INTRODUCTION :**

The financing of disaster relief has been an important aspect of federal fiscal relations. The primary responsibility for undertaking rescue, relief, and rehabilitation measures during a disaster lies with the State Governments. The Union Government supplements their efforts through logistic and financial support. The DM Act 2005 provides the legal framework for disaster management and all related matters, including the financial aspects. The Act envisages the constitution of two types of funds: response and mitigation, which are to be set up at the national, state and district levels. Thus, for disaster response, the Act envisages a National Disaster Response Fund, a State Disaster Response Fund in each State and, within the States, a District Disaster Response Fund in each district. Similarly, the Act envisages a National Disaster Mitigation Fund, State Disaster Mitigation Fund and District Disaster Mitigation Fund for disaster mitigation. Section 47 of the DM Act 2005, pertaining to setting up of the National Disaster Mitigation Fund, has not been notified by the Government so far. The financing of the entire disaster management cycle will be as per norms set by the Government of India. The disaster risk reduction will be achieved by mainstreaming the requirements into the developmental plans.

### **Financial Arrangement**

The financial aspects of Disaster Risk Management entail various factors ranging from development planning to immediate relief post disaster, followed by investments made for reconstruction. As per the prevailing practice, the funds for preparedness, mitigation and reconstruction are allocated by the Government as a part of budgetary allocations. However, a firm commitment is made by the Government regarding funds for immediate relief as recommended by the FC and precipitated for five years. The FC makes recommendations regarding financing of disaster risk management also, amongst other subjects being dealt by it. The Second FC made a provision for 'Margin Money' for meeting out such contingencies. Subsequent FC have reviewed various aspects of funding disaster management in the country in consultation with the various stake holders. Based on their recommendations, various funds have been maintained by Govt. of India and States for funding disaster relief. The 13th Finance Commission (FC-XIII) has given its recommendations for maintaining National Disaster Response Fund and State Disaster Response Fund in accordance with the DM Act 2005. The FC-XIV has taken them forward and made recommendations regarding National Disaster Response Fund and State Disaster Response Fund. With regard to setting up of a separate fund for disaster mitigation, the FC-XIII did not recommend for the same, but observed that "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.” The FC-XIV did not make any recommendation on the Mitigation Funds. The DM Act 2005 has clearly mandated upon the Government to ensure that the funds are provided by the Ministries and Departments within their budgetary allocations for the purpose of disaster management. The Act has stressed upon the need for mainstreaming of the Disaster Risk Management by way of making definite budgetary arrangements for the purpose by the respective Ministries and Departments within their overall agenda. As of now, no specific allocations are being made by the Government for disaster management, except in the cases of specific projects undertaken by any Ministry or Department. Financial mainstreaming of DRR concepts is necessary to entrench the need for disaster risk resilience within the main development agenda of the country.

### 8.2 National Disaster Response Fund

The state government is primarily responsible for undertaking rescue, relief and rehabilitation measures in the event of a natural disaster. At times, its efforts need to be strengthened and supplemented with Central assistance. Providing financial assistance for disaster preparedness, restoration, reconstruction and mitigation in the event of a natural disaster are not part of National Disaster Response Fund’s mandate. In the event of a calamity of a severe nature, where the requirement of funds for relief operations is beyond the funds available in the State’s State Disaster Response Fund account, additional Central assistance is provided from National Disaster Response Fund, after following the laid down procedure. As per this procedure, the State Government is required to submit a memorandum indicating the sector wise damage and requirement of funds. On receipt of the memorandum from the State, an Inter-Ministerial Central Team is constituted and deputed to submit a report after an on the spot assessment of damage and requirement of funds for relief operations, as per the extant items and norms of State Disaster Response Fund and National Disaster Response Fund. The report of the Central Team is considered by the Inter-Ministerial Group (IMG) / National Executive Committee (NEC) headed by the Home Secretary. Thereafter, a High Level Committee (HLC) approves the quantum of immediate relief to be released from National Disaster Response Fund. The Disaster Management Division of MHA provides support to the HLC. The MHA oversees the utilisation of funds provided from the National Disaster Response Fund and monitors compliance with norms.