CALAMITY RELIEF

9.1 Para 7 of our terms of reference requires us to review the existing scheme of Calamity Relief Fund (CRF) and to make appropriate recommendations thereon. The scheme, introduced by the Ninth Commission (Second Report), is designed to enable the States to manage and provide for calamity relief on their own by drawing upon the resources available with a fund constituted for that purpose separately for each State. The prescribed annual contributions to each State CRF are required to be made by the Centre and the concerned State in the proportion of 75:25. The scheme further provides for an accumulating balance with the proviso that if there is any unutilised amount left at the end of five years , it would be available for augmenting the plan resources of that State. On the other hand, it is permissible under the scheme to draw upon a percentage of the next year's Central assistance, if it became necessary to tide over the insufficiency of resources in the CRF in any particular year. The CRF dispensed altogether with the requirement under previous calamity relief schemes of maintaining `Margin Money', submitting a memoranda to the Central Government for determining the ceiling of approved expenditure (which entitled the States to the Central assistance) and receipt of assistance in the form of loans and grants. The Centre's contribution to the CRF of a State is now entirely in the nature of a grant.

9.2 While recommending the constitution of a CRF, the Ninth Commission noted certain deficiencies in the existing scheme. They thought it tended to encourage the States to present inflated claims with the expectation of receiving a higher Central assistance. Moreover, the arrangements in the wake of a calamity were far from satisfactory. Further, to overcome the procedural delays in sanctioning, releasing and deploying the assistance for carrying out the actual relief works the Ninth Commission recommended the constitution of a CRF from which the concerned State could draw funds as the need arose for the same.

9.3 In determining the size of the CRF and the annual contributions to it the Ninth Commission followed more or less the same basis as adopted by the previous Commissions. It took the State-wise average of the ceilings of expenditure approved during the ten years ending 1988-89 as the amount which should be available for relief in the respective States. The total of all the States aggregated to Rs.804 crores. If any region faced a calamity of `rare severity' the Centre was expected to take appropriate action as the situation demanded and incur the necessary expenditure. The Commission did not define what constituted 'rare severity'.

9.4 Most States have expressed themselves in favour of continuation of the existing scheme, albeit, with some modifications here and there. Jammu and Kashmir, Nagaland and Tripura have pleaded that they should be completely exempted from making any contribution towards the CRF. Assam has stated that deficit States should be exempted from making any contributions to CRF and Madhya Pradesh has suggested total exemption for backward States. Orissa, Arunachal Pradesh and Himachal Pradesh have suggested reduction in the share of States from 25 per cent to 10 per cent. A number of States have asked for adjustment for inflation. Gujarat has stated that the amount provided as CRF should be adjusted for inflation over the last ten years and of subsequent years within the time frame of the Tenth Commission. A similar plea has been made by Rajasthan. Rajasthan also joins Madhya Pradesh, Maharashtra, Gujarat and Kerala in suggesting that the actual expenditure, and not the approved ceilings, should be taken into account for working out the size of the CRF . Mizoram is more specific and has pleaded that all expenditure incurred in connection with natural calamities and not only those booked under the Major head "2245-Natural Calamities" should be taken into account. Tamil Nadu has stated that it was not correct to determine the annual CRF on a historical basis according to the expenditure ceilings approved by the Centre in the period 1979-80 to 1988-89, as this historical trend failed to take note of the current price levels.

9.5 A number of States have raised objections against the investment pattern laid down for investments out of the CRF. The Finance Ministry has laid down that the accretions to the Fund should be invested in the following manner :

a) 15 per cent in Govt of India securities.

b) 25 per cent in 182 days Treasury bills.

c) 10 per cent in State Govt. securities.

d) 10 per cent in Public Sector Bonds/units.

e) 25 per cent to be maintained as deposits with Public Sector Banks (PSBs)

f) 15 per cent to be maintained as deposits with State Cooperative Banks (SCB)

9.6 Punjab is one of the few States which has actually created a separate fund and it found that the purchase of securities/bonds was a time-consuming process which tended to negate the objective laid down in the original scheme. Rajasthan has stated that investments out of the CRF should not be held on a long-term basis and that too in a basket of securities the sale and purchase of which has to be effected in the open market. Haryana has pleaded that the entire amount available should be deposited in a fixed deposit/term deposit. Assam has suggested that the procedure for investment of funds may be made simpler with greater freedom for investment in profitable avenues.

9.7 As regards calamities of rare severity, Gujarat has stated that these should be objectively defined in terms of the number of villages/people affected, quantum and extent of relief and similar other factors. Andhra Pradesh has cited the case of the disastrous cyclone which occured on 9th May, 1990 and resulted in unprecedented loss of life and property for which no additional assistance was given; it has suggested that standard criteria should be evolved for determining `rare severity'. Tamil Nadu has stated that though it suffered an unprecedented calamity in 1992, no special help was forthcoming and as such the recommendations of the Ninth Finance Commission cannot be said to have provided a durable arrangement for such national disasters of unprecedented severity.

9.8 The Ministry of Finance, on the other hand, has stated that the scheme recommended by the Ninth Commission is advantageous to the States as the Central contribution is now entirely in the form of grants and the States left free to manage their affairs at their own discretion. The Ministry has also opposed the suggestion of the State Governments for a change in the investment pattern of the fund, lest the balances in the fund may not be available when needed. They have argued for the continuation of the present arrangement.

9.9 We have also received the comments of the Department of Agriculture and Cooperation of the Ministry of Agriculture who have been assigned a nodal role within the Government of India for overseeing the operation of CRF. They have reported that the response of the State Governments to requests by them for information for purposes of monitoring has not been encouraging, as the States accorded very low importance to the submission of any information to the Centre in the absence of any additional monetary assistance which could flow based on these communications. They have observed that in the absence of clear guidelines being prescribed, the States have tended to charge to the CRF all types of expenditure, including some only remotely related to calamity relief, such as office expenses at the State level and construction of new flood protection works and embankments. Their specific comments regarding the role of the Government of India under the changed scenario are as follows:

> "....in a vast country like ours, any calamity with substantial adverse impact involved the involvement of the Central Government as well (but) the scope of giving expression to the concerns of the Central Government in concrete terms has been significantly reduced under the new arrangement based on Ninth Finance Commission's recommendations." They stated that the Centre had received 30 Memoranda for additional Central assistance between June 90 and May 93 regarding natural calamities that, according to the States, required to be handled at the national level.

9.10 The Department has suggested that the States CRF should be shared between the Central and the State Government in the ratio of 50:50, and the basis for fixing the amount of the fund should be the average of the actual expenditure on relief measures during the last four years of the existing state corpus, whichever is higher. The instalments of Centre's share of the CRF may be released by the Ministry of Finance on the recommendations of the Department or the submission of utlisation reports by the States. The expenditure from the CRF should be incurred on the basis of guidelines framed by the Government of India in this regard. If the funds available under the CRF are not sufficient to meet the situation in the wake of a natural calamity, additional funds should be made available by the Central Government on the basis of the recommendations of the Central teams to be deputed for this purpose and these additional requirements should be shared between the Central and the State Governments in the ratio of 3:1. The Department has also stated that the Central Government would make an annual provision of adequate funds in addition to the Centre's share of CRF for meeting these additional requirements.

9.11 There is near unanimity on the part of the States that the present arrangement should be continued, even though certain reservations were expressed by one or two States during discussions. In the light of the fact that almost all States have asked for the continuance of the existing scheme and the Ministry of Finance have also suggested that sufficient time should be given for the scheme to be operationalised, we do not consider it necessary to change the present scheme or the pattern of the Centre-State contributions to it.

9.12 There is some substance in the observation of the Department of Agriculture and Cooperation that the practice regarding charging of different types of expenditure to the CRF has not been uniform among the States. While acknowledging that there is room for inter-State variations in items of relief expenditure, depending upon local requirements, there is nevertheless a need to evolve an All-India framework. To give one instance, it would be invidious if one State gives Rs.10,000 ex-gratia payment for the loss of life, and another gives Rs. 1,00,000. Adherence to certain broad parameters may also be necessary to withstand undue local pressures. Successive Commissions have, while noting the varying capacity of different States to meet the cost of calamity relief, also stressed the need to avoid unwarranted and wasteful expenditure.

9.13 We, therefore, recommend that the Department of Agriculture and Cooperation of the Ministry of Agriculture should set up a committee of experts and representatives of State Governments to frame common guidelines in regard to the items and their rates and norms, that can be debited to the CRF. The State committees will then work out the details for their respective States. In auditing the expenditure from the CRF it should be ensured that the designated items alone are charged to the fund and the norms are observed. We are also in agreement with the Finance Ministry that a separate fund outside the Public Account must be created so that the balances in the fund are available when needed.

9.14 Another issue raised by several States is that the quantum of the CRF should be based on an average of the actual expenditure incurred by them on natural calamities over a given number of years and not on the basis of ceilings of expenditure approved by Government of India. However, the States have claimed expenditure booked under a variety of Heads as being expenditure relating to calamity relief. In the case of other Heads it is difficult to distinguish between expenditure incurred in connection with calamity relief and other normal expenditure booked to those Heads. On the other hand, expenditure under various Minor Heads such as gratuitous relief, supply of fodder, drinking water, veterinary care, housing etc. is subsumed under the Major Head 2245 - Natural Calamities, which can therefore be justifiably taken to represent the expenditure of State Government on all relief activities. We are, therefore, of the view that the most appropriate and objective manner of assessing relief expenditure is to take into account only the expenditure booked to Major Head 2245-Natural Calamities.

9.15 We do, however, fully share the States' misgivings with regard to the factor of inflation which may not have been suitably accommodated in the present dispensation. We have taken into account the average of the aggregate of ceilings of expenditure for the years 1983-84 to 1989-90 and the amount of calamity relief fund for the years 1990-91 to 1992-93. The amount so worked out for all the States, has been adjusted for inflation upto 1994-95 and thereafter at graduated rates with the same elasticity as for other non-plan revenue expenditure up to 1999-2000. The amount thus worked out for all States for the period of our Report is Rs.6304.27 crores as at Annexure IX.1. Out of this, the Centre will be required to contribute Rs.4728.19 crores (75 per cent) and the States Rs.1576.08 crores (25 per cent). The share of the States has been included in their expenditure estimates. We accordingly recommend the continuation of the current scheme of the Calamity Relief Fund with modifications. The main features of the modified scheme will be as follows:

a) The contribution of the Centre and States to the Calamity Relief Fund shall be as at Annexure IX.2 and IX.3 respectively.

b) The CRF should be held outside the Public Account of the State in a manner to be prescribed by the Ministry of Finance as explained next. Before releasing the amount due in any year, Ministry of Finance shall ensure that the Central contributions released in earlier years have been credited to the CRF.

c) The existing scheme for the "Constitution and Administration of the Calamity Relief Fund and Investment therefrom", issued by the Ministry of Finance, should be modified so as to provide flexibility in the choice of avenues for investment subject to ensuring security and liquidity. Holding the funds entirely in a nationalised bank should be considered by the Finance Ministry. The Ministry should circulate a modified scheme after consulting the States by 30th June, 1995.

d) The balance in this fund will be available to the State at the end of the fifth year or thereafter for being used as a resource for the next plan.

e) The State Level Committes constituted under the existing scheme shall decide on all matters connected with the financing of the relief expenditure subject to the general guidelines issued by the Union Agriculture Ministry in terms of para 9.15 (j).

f) If it is found by the State Level Committee (constituted under the existing scheme) that in a particular year, the amount required is more than the sum available in the CRF , it may draw 25 per cent of the funds due to the State in the following year from the Centre, to be adjusted against the dues of the subsequent year. The Ministry of Finance may consult the Agriculture Ministry before making such advance releases. The Central Government may, at its discretion, allow a higher percentage of advance from the State's entitlement in the next year.

g) Periodic information relating to expenditure from the CRF and relief operations may be collected by the Department of Agriculture from the State Level Committees of the CRF .

h) The present arrangement for co-ordinating relief work at the Centre in the Ministry of Agriculture may continue so that the assistance from Defence Forces, Railways as also supply of seeds, etc., which may be required in time of natural calamities could be co-ordinated.

i) A Committee of experts, and representatives of States, may be set up by the Ministry of Agriculture to draw up a list of items, the expenditure on which alone will be chargeable to the CRF. This should be done by Ist April, 1995.

j) The norms for the amounts that can be given or spent under each of the approved items be prescribed by the State Level Committees. This should be done by 30th June, 1995. The norms so fixed should be communicated to the Union Ministry of Agriculture. They should check the norms and, if they are significantly out of line, modify them.

k) The Accountants General should then be instructed to see that only expenditure on the items approved by the Ministry of Agriculture is booked to the Head 2245 - Natural Calamities. The Ministry of Agriculture may monitor whether the State is adhering to the norms prescribed by its own Committee.

9.16 Lastly, we consider how to deal with a calamity of rare severity. Between June, 1990 and May, 1993 the Central Government is reported to have received thirty memoranda from the States claiming additional Central assistance on the ground that they had experienced a calamity of rare severity. While it is no doubt true that the country has been spared the agonies of the type witnessed during the severe drought in 1986-87 and 1987-88, which affected Rajasthan and Gujarat, nevertheless, floods and drought of varying intensity and magnitude have continued to be experienced in various parts of the country almost every year. From time to time calamities of such a severity may occur in various regions that the States are not able to manage with their own CRF. At such times the Central Government must be in a position to come to the rescue of the State and organise relief on a national scale.

9.17 We have considered the issue carefully and are of the view that a calamity of rare severity would necessarily have to be adjudged on a case-to-case basis taking into account, inter alia, the intensity and magnitude of the calamity, level of relief assistance needed, the capacity of the State to tackle the problem, the alternatives and flexibility available within the plans to provide succour and relief, etc. Any definition bristles with insurmountable difficulties and is likely to be counter-productive.

9.18 Once a calamity is deemed to be of rare severity it really ought to be dealt with as a national calamity requiring assistance and support beyond what is envisaged in the CRF Scheme. It goes without saying that additional assistance from the Centre would be required. But the national dimensions of such a calamity can be brought out only if all States also come to the succour of the affected State. In actual fact this has been happening in the past when many States did extend support to the affected State both in terms of financial grants and by sending material help and teams of doctors, etc. We would like to place this urge for national solidarity in a moment of distress on a more formal basis in our scheme. We, therefore, propose that in addition to the CRFs for States, a National Fund for Calamity Relief should be created to which the Centre and the States will subscribe and which will be managed by a National Calamity Relief Committee on which both the Centre and the States would be represented. This fund will be for dealing with calamities of rare severity and will be managed at the national level by a sub-committee of the National Development Council. This committee headed by the Union Agriculture Minister could comprise the Dy. Chairman, Planning Commission, and two Union Ministers and five Chief Ministers to be nominated by the Prime Minister annually by rotation. The Department of Agriculture should provide the secretariat for this fund . The nomination of the Chief Ministers should be done in March of each year for the next financial year.

9.19 The National Fund for Calamity Relief (NFCR), will be operated by the Ministry of Agriculture, Government of India but it will be maintained outside the Public Account of the Government of India as recommended by us for CRFs of States. The Ministry of Finance will prescribe guidelines for this as we have recommended it should do in the case of the CRF. The accounts of the NFCR shall be audited annually by the Comptroller and Auditor General. The admissible items of expenditure, norms etc. for this fund should be worked out by the Committee of Experts which we have recommended above for a similar purpose in the case of CRFs.

9.20 The size of the fund would be Rs.700 crores, to be built up over the period 1995-2000, with an initial corpus of Rs.200 crores to which the Centre would contribute Rs.150 crores and the States Rs.50 crores in the proportion of 75:25. In addition, for each of the five years from 1995-96 to 1999-2000 the contributions of the Centre and the States would be Rs.75 crores and Rs.25 crores respectively. The contribution by both the Centre and the States would be made annually in the beginning of the financial year. Contribution of States inter-se would be in the same proportion as their estimated total tax receipts after devolution. The share of each of the States, as indicated at Annexure IX.4, has been included in the reassessment of expenditure of the States.

9.21 We hope that with the setting up of the National Fund for Calamity Relief it would now be possible to tackle calamities of rare severity more effectively . What is more, we hope that the system recommended by us would also help create a sense of national solidarity in a common endeavour which would then abide beyond the period of distress.