

Disaster Federalism – The 16th Finance Commission’s New Paradigm

Context: The Union Cabinet’s ‘Action Taken Report’ (ATR) on the 16th Finance Commission (FC) Recommendations. **Key Constitutional Article:** Article 280 (Finance Commission), Article 275 (Grants-in-Aid), Entry 97 (Residuary Powers - Disaster Management). **Keywords:** *Fiscal Federalism, Notified Disasters, Climate Finance, SDRF/NDRF Architecture.*

1. The Context: The "Climate Shift" in Fiscal Devolution

For decades, the list of "Notified Disasters" eligible for funding under the **State Disaster Response Fund (SDRF)** and **National Disaster Response Fund (NDRF)** has been static (Cyclone, Drought, Earthquake, Fire, Flood, Tsunami, Hailstorm, Landslide, Avalanche, Cloudburst, Pest Attack, Frost/Cold Wave).

In **January 2026**, the debate peaked as the **16th Finance Commission (Chaired by Dr. Arvind Panagariya)** finalized its recommendation to include "**Heatwaves**" and "**Lightning**" as "Notified Disasters."

2. The Federal Friction: Who Pays for Climate Change?

The core conflict is between the Centre’s "Fiscal Prudence" and the States’ "Fiscal Distress."

- **The States' Argument (The Demand):** States like Bihar, West Bengal, and Tamil Nadu argue that **Lightning** kills more people annually than floods. Similarly, **Heatwaves** destroy agriculture (impacting Entry 14, State List) and cause massive health costs. Currently, States pay compensation for these events from their *own budgets*, which squeezes their development funds. They demand access to the central pool (NDRF/SDRF).
- **The Centre’s Resistance (The Logic):** The Union Government has traditionally opposed this.
 - *Lightning:* Viewed as a hyper-local event, not a "National Disaster."
 - *Heatwaves:* Difficult to define standardized thresholds (e.g., 40°C in Rajasthan is normal, but in Shimla, it is a disaster). Inclusion would open a "Pandora’s Box" of claims, draining the NDRF.

3. The 16th FC’s Paradigm Shift

The Commission’s recommendation acknowledges a new reality: **Climate Change is not local.**

- **The Recommendation:** The 16th FC has proposed a "Graded Notification." Instead of a blanket inclusion, it suggests:
 1. **Lightning:** Should be covered under SDRF (States use the Centre's contribution).
 2. **Heatwaves:** Should be classified as a "Disaster" only when declared by the IMD (Indian Meteorological Department) based on region-specific thresholds.
- **Significance:** If accepted in the Budget (Feb 1), this marks the first time the **Finance Commission** has explicitly used "Climate Vulnerability" as a major factor in determining **Grants-in-Aid (Article 275)**.

4. Mains Analysis: "Disaster Federalism"

For a **GS-2 Answer**, use this framework:

- **The Problem:** The Disaster Management Act, 2005, centralizes power (NDMA) but the *financial burden* of new climate disasters (Heat/Lightning) falls on States. This creates a "**Vertical Fiscal Imbalance.**"
- **The Solution (Cooperative Federalism):** The 16th FC is trying to correct this. By allowing States to use SDRF funds (which are 75% funded by the Centre) for local climate events, it ensures that "**Fiscal Federalism follows Climate Reality.**"
- **Critical Note:** However, mere inclusion is not enough. The *quantum* of the corpus (total money) in SDRF must increase. If you add new disasters without adding new money, you are simply slicing the same pie into smaller pieces, leaving States with less money for floods/cyclones.