Government of Himachal Pradesh
HP State Rural Livelihoods Mission
Rural Development Department

Vulnerability Reduction Fund (VRF) SOP 2026

1. Introduction

The Government of Himachal Pradesh, through the **HP State Rural Livelihoods Mission (HPSRLM)** is committed to fostering social inclusion and resilience among vulnerable communities. The **Vulnerability Reduction Fund (VRF)** is a fund (corpus fund) provided to Village Organization (VOs) to address vulnerabilities faced by household (s) or community such as **food in security, health risk, sudden sickness/hospitalization, natural calamities**, etc., which are not addressed through RF and CIF. The purpose of VRF is to address the special needs of the vulnerable households including non-members of the SHG in the VO geographical area. It can be used for an individual need or for collective action.

2. Objectives

The key objectives of the VRF are:

1. **To provide financial support** for vulnerable households, including non-SHG members.
2. **To promote community-driven solutions** for reducing vulnerabilities.
3. **To ensure social inclusion** by prioritizing SC/ST and other marginalized communities.
4. **To integrate VRF initiatives with state and national programs** such as MGNREGA, NRLM, and social protection schemes.

3. Target Beneficiaries

VRF prioritizes **highly vulnerable groups**, including:

- **SC/ST** – with targeted interventions.
- **Persons with Disabilities (PwDs)** – through customized support plans.
- **Elderly & Orphans** – through community-based care initiatives.
- **Women's Empowerment** – integrating FNHW/Gender-sensitive strategies in VRP.
- **Widows/ single parents, Ekal Naari, Orphan, and elderly individuals** without family support.
- **BPL households** facing acute financial distress.
- **Disaster-affected communities**, including those impacted by landslides, floods, and droughts

4. VRF Fund Allocation & Utilization

1. Each **Village Organization (VO)** can receive up to **₹ 1, 50,000/-** under the VRF scheme.
2. The fund can be used for **both individual and collective actions**.
3. Priority shall be given to **SC/ST communities** and areas with specific vulnerabilities.
4. VRF can be provided as **a loan (with or without interest) or a grant**, based on the need assessment by the VO.
5. VO must open a **separate bank account** for VRF management.

4.1. Permissible Activities

The VRF will be used for:

1. **Emergency support for vulnerable households**, including medical emergencies, sudden loss of livelihood, and food insecurity.
2. **Support to non-SHG members** in extreme distress *(should not exceed 20% of the total VRF).*
3. **Livelihood diversification initiatives** such as poultry, dairy, and kitchen gardening.
4. **Mitigation of natural disasters**, such as landslides, floods, and forest fires.
5. **Support for marginalized groups** including SC/ST, Persons with Disabilities (PwDs), Elderly, and Orphaned children.

4.2. Non-Permissible Activities

1. **Personal consumption loans** unrelated to vulnerability reduction.
2. **Investments in land purchase or construction** *(except for disaster relief).*
3. **Utilization of funds for administrative or operational expenses of VO**.
4. **Political or religious activities**.

5. Eligibility Criteria for VOs

A VO must meet the following criteria to receive VRF:

1. Should be at least **12 months old**, conducting regular meetings and maintaining books of record.
2. Should have received the **VO start-up cost** under NRLM.
3. VO's **Executive Committee (EC)** and **Social Action Committees (SAC)** should have been trained on **social inclusion and VRF utilization**.
4. The VO must prepare a **Vulnerability Reduction Plan (VRP)** on prescribed Format **(Annexure-4)** and submit to the Cluster Level Federation (CLF) and then to BMMU.
5. The VO must demonstrate prior activities related to vulnerability reduction, such as:
    - Member contributions to the VRF.
    - Initiatives like **'Ek Mutthee Chawal' (one handful of rice per SHG member)** for community welfare.
    - Support for **orphans, elderly, destitute, and disaster-affected families**.

6. Implementation Process

6.1. Preparation of Vulnerability Reduction Plan (VRP)

1. **Data Collection:**
    - Use SECC data and participatory rural appraisal (PRA) tools.
    - Conduct **social mapping** and **focus group discussions** to identify vulnerable households.
2. **VO-Level Planning:**
    - The **Social Action Committee (SAC)** will prepare the VRP.
    - Categorization of needs into **urgent, medium-term, and long-term interventions**.

3. **Approval Process:**
    - The VO EC will examine the VRP and will submit to CLF.
    - Once approved, the VRP is forwarded to the **Cluster Level Federation (CLF)** and **Block Mission Management Unit (BMMU)** for final approval.

6.2. Fund Release Mechanism

1. The **HPSRLM sanctions the funds** based on approved Vulnerability Reduction Plan (VRP).
2. Funds are transferred directly to the **VO's dedicated bank account** within **7 working days**.
3. The **VO EC ensures fund utilization as per the VRP**.

6.3. Disbursement of VRF to Beneficiaries

1. **Application Process:**
    - Beneficiaries apply through their respective SHGs.
    - The **VO EC reviews applications** and prioritizes based on urgency.
2. **Decision-Making:**
    - Loans/grants may be approved in VO EC meetings.
    - Emergency cases **(up to ₹ 5,000)** can be approved by the VO President, with **post-facto approval** in the next meeting.
3. **Fund Disbursement:**
    - The amount is credited **directly to the beneficiary's bank account**.

6.4. Repayment Mechanism (For Loans)

1. Repayment schedules are decided based on **household income cycles**.
2. Loans may have **zero or minimal interest** to ensure affordability.
3. If repayment is not possible due to extreme hardship, the **VO can consider converting loans into grants**.
4. Maximum loan for individual may be **₹ 5,000/-.**
5. Maximum loan for vulnerable SHG for **collective action** must not more that **₹ 30,000/-** with consultation of BMMU. {***Note:*** *Amount of any camp should between ₹ 2000- 5000/-*}

6.5 Interest Process:

Maximum 5 % interest rate per annum or Interest Free Loan or Grant as per the discretion of the VO EC. The VO may utilize maximum 80% (i.e. **₹ 1,20,000/-)** of the total VRF at any given point of time, keeping aside the remaining 20% as reserve. This ratio may be changed subject to approval of HPSRLM. For calculation of total VRF following equation may be followed:-
Total VRF= *Member's contributory fund+ VRF received from Mission+ Interest from VRF Loan- VRF Grant.*

7. Monitoring and Reporting
7.1. Internal Monitoring
1. VOs must maintain a **VRF utilization register** with beneficiary details and fund usage.
2. Regular monitoring by the **Cluster Level Federation (CLF)**.

7.2. External Audits

1. **Half yearly reports** will be submitted to the BMMU.
2. **Annual social audit** be conducted from the auditors.

8. VRF Augmentation/enhancement Strategies

To ensure sustainability, VOs will be encouraged to:

1. Collect **voluntary contributions** from SHG members.
2. Allocate a portion of **SHG/VO profits** to the VRF.
3. Seek additional funds from **Panchayats, NGO funds, and government schemes**.
4. **Integration with Government Schemes:** Linking VRF recipients to **Ayushman Bharat, MGNREGA, PMAY-G**, etc.
5. **Community diaspora Crowd funding:** Encouraging local donations for extreme hardship cases.(vulnerability reduction day – Antyodaya Divas)
6. **Digital Disbursement System:** Implementing mobile-based tracking for transparency.

9. Convergence with Other Government Schemes

The VRF initiative will be linked with:

1. **MGNREGA** – for livelihood generation.
2. **PMAY-G** – for housing support.
3. **Public Distribution System (PDS)** – for food security.
4. **Ayushman Bharat/ Him Care** – for healthcare assistance.

10. Grievance Redressal Mechanism (GRM)

GRM will be set up as per below-

1. **VO Grievance Committee:** Handles initial complaints.
2. **CLF Oversight Committee:** Reviews unresolved issues from VO level.
3. **Block VRF Cell:** Final authority for dispute resolution.

11. Conclusion

The **HP Vulnerability Reduction Fund (VRF) SOP, 2026** aims to build resilience among the most vulnerable populations by promoting **community-driven social protection measures**. **VRF** plays a crucial role in empowering marginalized households and fostering financial inclusion at the grassroots level. With structured policies, transparent SOPs, and enhanced financial offerings, VRF can be an effective tool for **social and economic transformation in rural communities.** By ensuring sustainability, accountability, and financial discipline, VOs can maximize the impact of VRF and create a resilient support system for the most vulnerable sections of society.

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