

Immediate

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Government of India
Ministry of Home Affairs
(Disaster Management Division)

'C' Wing, 3rd Floor, NDCC- II,
Jai Singh Road, New Delhi-110001,
Dated the 14th January 2022

To,
The Chief Secretaries
(All States).

Subject: - Guidelines on Constitution and Administration of the State Disaster Mitigation Fund (SDMF) based on the recommendations of the Fifteenth Finance Commission 2021-22 to 2025-26.

Sir/ Madam,

The Fifteenth Finance Commission (FFC) has made provision of funds for the State Disaster Mitigation Fund in its recommendations which has been accepted by the Government of India. Keeping in view of the provision of the Disaster Management Act, 2005 and the recommendations of Fifteenth Finance Commission, Government of India has framed guidelines for administration of State Disaster Mitigation Fund at the State level, which are enclosed herewith for necessary action.

2. A copy of the guidelines for SDMF are enclosed for further necessary action at your end. These guidelines can also be downloaded from website of Disaster Management Division of Ministry of Home Affairs i.e. www.ndmindia.mha.gov.in.



(Pawan Kumar)
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Encl: As above.

Copy to:-

1. Ministry of Finance, Department of Expenditure, North Block, New Delhi.
2. Ministry of Agriculture [Joint Secretary (DM)], Krishi Bhawan, New Delhi.
3. National Disaster Management Authority, New Delhi.
4. Relief Commissioners/ Secretaries, Department of Disaster Management of (All States).
5. Accountants General of all State Governments.
6. Controller General of Accounts (CGA), New Delhi.
7. Comptroller & Auditor General (CAG), New Delhi.

Ministry of Home Affairs
(Disaster Management Division)

Guidelines on Constitution and Administration of the State Disaster Mitigation Fund (SDMF)

Introduction:

The Disaster Management Act, 2005 (hereinafter called as DM Act, 2005) defines mitigation as 'measures aimed at reducing the risk, impact or effects of a disaster or threatening disaster situation'.

2. The State Disaster Mitigation Fund (SDMF) is constituted under the section 48 (1) (c) of the DM Act, 2005. This fund is exclusively for the purpose of mitigation projects in respect of disasters covered under the State Disaster Response Fund (SDRF)/ National Disaster Response Fund (NDRF) Guidelines and the State specific local disasters notified by the State Governments. The Mitigation Fund shall be used for those local level and community-based interventions, which reduce the risks and promote environment-friendly settlements and livelihood practices. Large-scale mitigation interventions such as construction of coastal walls, flood embankments, support for drought resilience etc. shall be pursued through the regular development schemes and not from the mitigation fund.

3. Mitigation measures can be structural and non- structural.

Structural measures: Structural mitigation measures include any physical construction to reduce or avoid possible impacts of hazards, or the application of engineering techniques or technology to achieve hazard resistance and resilience in structures or systems. These measures attempt to strengthen buildings to better endure future disasters like cyclones and earthquakes.

Non-Structural measures: It does not involve physical construction but use knowledge, practices, policies, laws/Regulations, public awareness-raising, training and education etc. e.g. Building codes and Laws, location specific planning/strategies, forest management/restoration of mangroves, awareness campaigns etc.

4. These guidelines are issued under Section 62 of the DM Act, 2005 and shall be called 'State Disaster Mitigation Fund' (SDMF) guidelines and will be operative from the financial year 2021-22 to 2025-26, and will continue till further orders.

5. Technical Guidelines:

For the guidance of the State Governments, the National Disaster Management Authority (NDMA) will issue technical guidelines separately, within the broad framework of these guidelines and with the concurrence of MHA. Further, Hazard specific mitigation guidelines and detailed procedures for project execution will continue to be issued by NDMA from time to time in consultation with MHA.

6. Long Term Mitigation Strategy:

At the national and state level, the Disaster Management Authorities will conduct the risk assessment, which presents an assessment of hazards, exposure and vulnerability and their likely impacts. Based on the risk assessment, the Disaster Management Authorities will prepare long-term mitigation strategy for their respective jurisdictions.

7. State Disaster Mitigation Fund (SDMF):

7.1 SDMF will be constituted with the nomenclature of "State Disaster Mitigation Fund" in the Public Account under the Reserve Fund bearing interest in the Major Head: 8121-General and other Reserve Funds-130-'State Disaster Mitigation Fund' in the accounts of the State Governments concerned after fulfilling all codal and other accounting formalities required.

7.2 The closing balance as on 31.03.2021 in the SDMF shall become the opening balance for 2021-22. Unless otherwise provided, closing balance of each financial year would be the opening balance for the next financial year till 2025-26.

7.3 The State Government shall invest SDMF as per the provisions of para-12 of these guidelines. The State Government shall pay interest into the SDMF at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI for the amount not invested from SDMF. The interest will be credited on a half-yearly basis.

7.4 SDMF will be operated by the State Executive Committee (SEC) in consultation with State Disaster Management Authority (SDMA) with an objective to release Grants- in- aid for mitigation projects in their jurisdiction.

7.5 SDMF will be applied by SDMA for appraisal, monitoring and supervision of the mitigation projects.

8. Contribution/Allocation to the SDMF:

8.1 The 15th Finance Commission (XV-FC) has recommended Rs.32,031 crore [20%of State Disaster Risk Management Fund (SDRMF) of Rs.1,60,153 crore] for SDMF of States for the period 2021-22 to 2025-26. The state-wise details of the annual allocations for the period from 2021-22 to 2025-26 is given in Annexure-I.

8.2 The Central Government will contribute 75% funds of SDMF for all States, except for the North-Eastern and Himalayan (NE & H) States, for which it will contribute 90% of the total annual allocation. The balance 25% of funds of SDMF will be contributed by the State Governments concerned, except the NE & H State, which shall contribute 10%.

8.3 The Central Government shall pay its share as Grants-in-aid to the States under the Major Head "3601-Grants-in-aid to State Governments-07 Finance Commission Grants-105 "General (Relief on Account of Natural Calamities)-Disaster Mitigation". The State Governments shall take these as receipts in their budget and account under the Major Head "1601-Grants-in-aid from Central Government-07 Finance Commission Grants-105 "Grants in aid for State Disaster Mitigation Fund".

8.4 In order to enable transfer of the total amount of contribution to the SDMF (both Central share and the State share of contribution), the State Governments would make suitable budget provision on the expenditure side of their budget under the Head "2245- Relief on Account of Natural Calamities-08-State Disaster Mitigation Fund-797-Transfers to Reserve Fund and Deposit Accounts".

8.5 Immediately upon the receipt of Central Government's share as per para-8.3 above, the States would transfer the amount, along with their share, if not already transferred, to the Public Accounts Head within 15 days of its receipt. Any delay will require the State Government to release the amount, with interest, at Bank rate of RBI, for the number of days of delay. The State Government is required to endorse the copy of the release order to the Department of Expenditure, Ministry of Finance and Ministry of Home Affairs.

8.6 In order to have the real time information about availability of SDMF and NDMF fund with the State Governments, the Ministry of Home Affairs has evolved a web-based online application, i.e. National Disaster Management Information System (NDMIS). Therefore, State Governments will provide online data of expenditure incurred from SDMF (including additional central assistance from NDMF) in line with the Central Government's approved norms, on a real time basis. This is also in line with recommendation of XV-FC in para-8.112 of their Report.

8.7 State Governments can mobilize and pool funds in SDMF from various other sources viz. reconstruction bonds, contingent credit/standby facilities with international financial institutions, counterpart funding from Implementing Partners, crowd funding platforms and Corporate Social Responsibility (CSR) window etc.

8.8 State Governments should allocate resources to Districts for preparedness and mitigation on an annual basis following a methodology that they may evolve. In subsequent allocations, the State Governments may consider the expenditure incurred by the Districts under mitigation fund in previous years.

9. Scope of State Disaster Mitigation Fund (SDMF):

SDMF will fund mitigation projects at the State level. It will support and fund the following types of projects:

- i) All projects relating to mitigation measures: (a) for the notified disasters by the Government of India namely cyclone, drought, earthquake, fire, flood, tsunami, hailstorm, landslide, avalanche, cloud burst, pest attack and frost & cold wave; and (b) for the 'disasters' notified by the State Government within the local context in the State, which are to be completed within the geographical jurisdiction of the State, will be funded from the SDMF.
- ii) The State Government may use up to 10% fund of the annual allocation of the SDMF for the purpose of mitigation projects in respect of disasters that they consider to be 'disasters' within the local context in the State as notified under SDRF guidelines.
- iii) Projects which are of State-level significance, protecting assets, eco-systems and settlements within the State.

- iv) Projects which promote practices to reduce disaster risks and its impacts.
- v) Projects which build community resilience through information and knowledge.
- vi) Projects which focus on creating safe conditions of living for people from weaker socio-economic categories, people with disabilities, and women.
- vii) Regional projects which are initiated from the National Disaster Mitigation Fund (NDMF).
- viii) Research and studies related to disaster mitigation through the small grants window.
- ix) In case of flood mitigation projects, States should undertake the following non-structural measures:
 - a) Adopting Integrated Flood Management approach by considering river basin as a hydrological unit.
 - b) Real Time Hydro-meteorological Data Acquisition Network coupled with Decision Support System for integrated or standalone operation of reservoir(s), as the case may be.
 - c) Delineation and demarcation of flood plain zones on certain notified stretch (es) of river(s) within the State and regulation of various activities permissible therein.

10. Limitation for utilization of SDMF:

- i) At least 10% of the SDMF each year should be earmarked for the non-structural measures. (Components of non-structural measures in projects consisting of both the kinds of measures may be counted towards this limit).
- ii) In a year, not more than 50% of SDMF may be utilized for measures/projects to mitigate risks from a single hazard. However, this stipulation may be relaxed by the Ministry of Home Affairs on the recommendations of Sub Committee of National Executive Committee (SC-NEC), based on the written request of the State with proper justification.
- iii) In a year up to 5% of the SDMF, funds may be earmarked for small grants window to support small proposals related to innovation, technology, community leadership, research, studies and learning. The NDMA and the SDMA will devise a mechanism to fund projects from this window.
- iv) Funds available under SDMF shall not be used for general environmental improvement or landscape beautification and for funding the existing Government programmes/ongoing schemes etc.

- v) Mitigation Fund should generally not be used for maintenance and upkeep of any structure or engineering measure aimed at mitigation. This fund should be used for developing and implementing new projects. The mitigation measures that have been implemented, should be maintained through other sources of funding.
- vi) Resources under Mitigation Fund cannot be used towards the establishment expenditure such as salaries, office expenditure etc. to be incurred by the Disaster Management Authorities or other entities, except for payment of remuneration to technical staff included in the projects costs. Such payments will be as per the GFR-2017 and extant Government of India guidelines.

11. Release of Central Contribution to the SDMF:

The Central share to the SDMF shall be remitted to the State Governments in two equal installments in June and December in each financial year. Likewise, the State Governments shall also transfer their contribution to SDMF in two equal installments in June and December of the same year, provided that if Ministry of Home Affairs, upon being satisfied on the need of the State, may recommend an earlier release of the Central share of a particular year's installment.

The Central share to the SDMF due in a year shall be released to the State Governments subject to fulfillment of the following conditions:-

- i) State Governments are required to issue a certificate that the relevant notification, establishing SDMF as per section 48(1)(c) of the DM Act, 2005 is in force.
- ii) The State Government shall furnish a certificate to MHA and to Ministry of Finance in the months of April and October every year indicating that the amount received earlier has been credited to the SDMF along with the State's share of contribution, accompanied by the statement giving the up-to-date expenditure and the balance amount available in the SDMF. This statement is to be provided in the format at Annexure-II.
- iii) Once the Finance Accounts of the previous year are available, expenditure reported for that particular year should match with expenditure figure in Major Head: 2245 and balance in SDMF in MH: 8121 . In case of any discrepancy, the figures in MH: 2245 and in MH: 8121 as reflected in the Finance Accounts will be considered. Any deviation from prescribed accounting practices in the guidelines would result in withholding of further releases until the required accounting procedure is adopted or restored.
- iv) The Central Government's contribution due in December of a year shall be released after the receipt, in MHA and in Ministry of Finance, by September of that year, of an 'Annual Report on Mitigation Projects', prepared by the State Government. This Annual Report shall, inter-alia, furnish details of expenditure incurred by the State Government on each of the mitigation project in the format to be laid down in due course.
- v) The Central Government's share shall be released by the Department of

Expenditure, Ministry of Finance after receiving due recommendations from MHA.

12. Investment of SDMF:

12.1 The accretions to the SDMF together with the income earned on the investments of the SDMF shall, till contrary instructions are issued by the Central Government, be invested in one or more of the instruments such as Central Government dated Securities; Auctioned Treasury Bills; and interest earning deposits and certificates of deposits with Scheduled Commercial Banks.

12.2 The investments of the funds shall be carried out by the branch of the Reserve Bank of India (having Banking Department) at the headquarters of the State, or a Bank designated by RBI. In case of Sikkim, the functions may be carried out by the State Banker. The accounting procedure for the investment transactions and encashment of securities will be similar as available in case of SDRF.

12.3 State Executive Committee (SEC) shall ensure that SDMF shall be invested as per provisions of Para-12.1 of these guidelines. The State Government shall pay interest for the amount not invested from the SDMF, in the identified interest bearing instruments at the rate applicable to overdrafts under Overdraft Regulation Guidelines of the RBI. The interest will be credited on a half-yearly basis into the SDMF corpus.

13. Administrative mechanism to be followed for processing of proposals under SDMF.

- (i) The SDMA will constitute an Appraisal Committee to be headed by a Member of SDMA with members from line Departments of the State Government and State entities for appraisal of the proposals/ projects under SDMF.
- (ii) The Departments/ Agencies of the State Government/ DDMA, who wish to take up projects from SDMF, will submit the project proposals to the State Government Department dealing with the Disaster Management, which in turn will refer the project proposal to the Committee headed by the Member, SDMA for appraisal.
- (iii) The recommendations of the Appraisal Committee of SDMA shall be placed before the SEC for consideration/ sanction.

14 State Executive Committee (SEC):

- i) SEC, constituted by the State Government as per provision of section 20 of the DM Act, 2005, will decide on matters connected with the administration of SDMF including obtaining contributions from the Central Government, investing the accretions to the SDMF in accordance with the prescribed norms and approving the mitigation project from SDMF.
- ii) SEC shall ensure that the money drawn from SDMF is actually utilized for the purpose for which the SDMF has been set up.

15 Release of Funds:

Upon sanction of projects by SEC, funds will be released from SDMF for mitigation projects/ works. Procedure as in vogue in the State for the release of funds under SDRF shall apply to SDMF also.

16. Unspent balance in the SDMF:

The unspent balance in the SDMF account as at the end of the financial year 2021-22 shall be the opening balance of SDMF account of the financial year 2022-23. The Central Government will communicate the modalities for handling any balances available at the end of 2025-26 in SDMF of the State.

17. Execution of Projects:

SDMA shall supervise and monitor the approved projects during implementation and will be responsible for submitting completion certificates as well as required reports, including maintaining updated database containing information about all projects implemented with the assistance from SDMF/NDMF.

18. Accounts and Audit:

- i. The State's SDMF account should distinctly show source of receipt into funds namely:
 - a. Centre's share of SDMF
 - b. State's share of SDMF
 - c. Return on investments
 - d. Redemption of investments
 - e. Contribution from reconstruction bond, CSR/ Implementing partners/ community etc., if any.
 - f. Penal Interest (at bank rate or overdraft rate as the case maybe)
- ii. The actual expenditure out of SDMF should be booked under respective Minor Heads within Major Head 2245.
- iii. The detailed accounts of fund and investment thereof shall be maintained by Accountant General In-charge of Accounts of the State.
- iv. The accounts of SDMF shall be audited annually by Comptroller & Auditor General. The State Government shall furnish a copy of the audit Report of CAG to Ministry of Finance and Ministry of Home Affairs.

19. Developing a Disaster Database:

NDMA shall develop a disaster database as a special initiative. The database should have disaster assessments, the details of allocations and expenditure and preparedness and mitigation plans. The database of the projects includes all the details related to project components, expenditure, reviews, evaluation and outcome.

20. Outcome Framework:

Projects taken up from SDMF must have verifiable and measurable outcomes. NDMA shall develop an outcome framework to ensure a greater accountability for allocation and utilization of NDMF/SDMF resources. This framework could be based on achieving the Sendai Framework indicators which may include reducing mortality, supporting community recovery and resilience and improving the quality and substance of disaster assistance. The set of indicators may be determined by NDMA.

21. Procurement of Goods and Services:

All procurements required for implementing the approved projects shall be made by the Government agencies for implementing the proposal in accordance with the latest General Financial Rules (GFR) and from GeM portal.

22. Savings:

- i. In case of any difficulty in interpretation of any of these guidelines, the matter shall be referred to MHA, whose decision shall be final.
- ii. MHA, with the concurrence of Ministry of Finance, may amend these guidelines, in such a manner as may be required to facilitate smooth operation of immediate mitigation measures.
- iii. MHA is the nodal Ministry for overseeing the operation of SDMF and shall monitor compliance with the prescribed processes. MHA may issue directions/ instructions under the DM Act, 2005 in this regard.

PROFORMA

Statement containing State's share of contribution, up-to-date expenditure and the balance amount available in the State Disaster Mitigation Fund (SDMF)

(Rs in Lakhs)

- (A) Statement of previous released amounts to the SDMF/NDMF:
1. Opening balance as on 01.04.20..... :
 2. Centre share including advance release credited to SDMF :
 3. Correspondence share of State :
 4. Correspondence share of State credited to SDMF :
 5. Amount received under NDMF :
 6. Expenditure as on 30th September..... :
 7. Expenditure as on 31st March, 20..... :
 8. Amount transferred to investment account :
 9. Amount received from investment account :
 10. Closing balance (1+2+4+5+9) – (7+8): 31st March/ 30th September : _____
- (B)
1. Opening balance: 1st March/ 1st October 20 :
 - 1.1 Total investment made out of SDMF as on 31st March, 20.. : _____
 2. Receipt during the current financial year..... : _____
 - i. Centre's share (date of receipt from Govt. of India)
 - ii. State's share..... :
 - iii. Assistance under NDMF:..... :
 - iv. Date of transfer of Centre's and State's share to SDMF account.: _____
 - v. Interest paid to the SDMF account in case of delay of transfer of funds beyond 15 days :
 - vi. Interest earned (including investment made out of SDMF) : _____
 - vii. Others :
 - viii. Arrears of Centre's/State's share, if any: (to be credited to SDMF) : _____
 - ix. Total (i) to (viii) :
 - x. Of which amount credited to SDMF :
 3. Total amount available in the SDMF {1+2(x)} : _____
 4. Total expenditure incurred inconformity with items & norms of SDMF during the year out of the Fund:
 - (i) As on 31st March, 20..... :
 - (ii) As on 30th September, 20..... :
 (Expenditure Statement is to be provided in the proforma as given at Appendix)
 5. Balance available in the Fund(3-4).....31st March/ 30th September
- (C) Submission of Annual Report of Mitigation Projects:
- (i) Whether "Annual Report on Mitigation Projects/ Activities" for the previous year has been sent to Ministry of Home Affairs (Yes/ No). : _____
 - (ii) If yes, date on which sent..... : _____

PROFORMA

State: _____

Earmarked project wise expenditure details from funding window of NDMF

S No.	Project	Catalytic assistance to twelve most drought-prone State (1,200 Crore)	Balance amount available as on 31 March/ 30 Sept 20.....	Project	Managing seismic and landslide risks in the ten Hill State (750 Crore)	Balance amount available as on 31 March/ 30 Sept 20.....
		Receipts during the year	Expenditure		Receipts during the year	Expenditure
		Central Share (90 %)	State Share (10 %)		Central Share (90 %)	State Share (10 %)
1	2	3	4	5	6	7
					8	9
						10
						11

S No.	Project	Reducing Risk of urban flooding is seven most populous cities (2,500 Crore)	Balance amount available as on 31 March/ 30 Sept 20.....	Project	Mitigation measures to prevent erosion (1,500 Crore)	Balance amount available as on 31 March/ 30 Sept 20.....
		Receipts during the year	Expenditure		Receipts during the year	Expenditure
		Central Share (90 %)	State Share (10 %)		Central Share (90 %)	State Share (10 %)
1	2	3	4	5	6	7
					8	9
						10
						11

Note:- Expenditure to be incurred from SDMF account should be as per the approved norms & guidelines issued by the Union Government.