



सत्यमेव जयते

नीति आयोग

National Institution for Transforming India

REPORT OF THE SUB-GROUP
OF CHIEF MINISTERS ON
RATIONALISATION OF CENTRALLY
SPONSORED SCHEMES

OCTOBER 2015

*“Let us forge a model of
cooperative, competitive
federalism; chart a common
course to progress
and prosperity.”*

Shri Narendra Modi,
Honourable Prime Minister

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List of Abbreviations

ACA- Additional Central Assistance
ACA-EAP- Additional Central Assistance for Externally Aided Projects
AIBP - Accelerated Irrigation Benefit Programme
AP-Annual Plan
ASIDE- Assistance to States for Infrastructure Development for Exports
BADP -Border Area Development Programme
BE- Budget Estimates
CASP – Central Assistance to State Plan
CSS- Centrally Sponsored Schemes
DoE- Department of Expenditure
FFC-Fourteenth Finance Commission
GCS-General Category States
IAY-Indira Awas Yojana
ICDS - Integrated Child Development Services
ICPS- Integrated Child Protection Scheme
IWMP-Integrated Watershed Management Programme
JNNURM - Jawaharlal Nehru National Urban Renewal Mission
MDM - Mid-Day Meal
MGNREGA - Mahatma Gandhi National Rural Employment Guarantee Act
MoF- Ministry of Finance
MSDPM- Multi-Sectoral Development Programme for Minorities
NBA-Nirmal Bharat Abhiyan
NCA- Normal Central Assistance
NEC-North Eastern Council
NeGAP - National E-Governance Action Plan
NE-North Eastern
NHM- National Horticulture Mission
NMSA- National Mission on Sustainable Agriculture
NRCP- National River Conservation Programme
NRDWP - National Rural Drinking Water Programme
NRHM - National Rural Health Mission
NRLM - National Rural Livelihood Mission
NSAP - National Social Assistance Programme
NSS-National Service Scheme
OTACA- One Time Additional Central Assistance
PMGSY - Pradhan Mantri Gram Sadak Yojana
PMO-Prime Minister Office
PYKKA- Panchayat Yuva Krida aur Khel Abhiyan
RBI-Reserve Bank of India
RE- Revised Estimates
RGVY- Rajiv Gandhi Gramneen Vidyutikaran Yojana

RKVY- Rashtriya Krishi Vikas Yojana
RMSA- Rashtriya Madhyamik Shiksha Abhiyan
SABLA-Rajiv Gandhi Scheme for Empowerment of Adolescent Girls
SBM-Swachh Bharat Mission
SCS-Special Category States
SPA- Special Plan Assistance
SP-State Plan
SSA - Sarva Shiksha Abhiyan

Executive Summary

In June 2013, Government of India had restructured CSS in response to issues raised by Chief Ministers in the National Development Council and consequent recommendations made in this regard in the 12th Plan. As a result, in BE 2014-15, budgetary provisions were made for 66 CSS which included 17 large CSS which were called ‘flagship’ schemes. The rationalisation also provided for flexibility to the States in implementation of these schemes. In accordance with the view of many States, it also mandated that Central Assistance under CSS would flow to the Consolidated Funds of the States and that the fund flows would be classified as part of Central Assistance to State Plan (CASP). Notwithstanding the restructuring undertaken in BE 2014-15, the prevailing arrangements for designing and implementation of CSS fell short of expectations. The States contend that the proliferation of CSS and the gradual reduction in untied Block Grants under Plan, has led to shrinking fiscal space for States. Moreover, there is an overwhelming emphasis on a process-centric approach and lack of flexibility in designing and implementing the CSS that has diffused the focus on their outcomes.

The Sub-Group of Chief Ministers on the rationalisation of CSS was constituted on March 9, 2015 by the Prime Minister in pursuance of the decision taken in the first meeting of the Governing Council of the NITI Aayog held on February 8, 2015. Chief Ministers of Arunachal Pradesh, Jammu & Kashmir, Jharkhand, Kerala, Manipur, Nagaland, Rajasthan, Telangana, Uttar Pradesh and Lt. Governor of A & N Islands are Members of the Sub-Group. The Chief Minister Madhya Pradesh is Convener and CEO, NITI Aayog is Coordinator of the Group.

The Sub-Group undertook extensive consultations with the Central Ministries, including the Ministry of Finance, NITI Aayog and States and UTs including those which were not represented by their Chief Ministers/ LGs in the Sub-Group. In addition, at the instance of the Sub-Group, CEO/NITI Aayog undertook regional consultations at official level at Kolkata, Chandigarh, New Delhi and Hyderabad with States/UTs. The Sub-Group met four times and has finalized its recommendations on the basis of such extensive consultations. In this endeavor, the Sub Group has been aided by a Working Group of senior officers drawn from NITI Aayog, Central Ministries and States/UTs.

Guiding Principles

- The formation of the Sub-Group is testimony to the resolve of the Union and the States / UTs to work as Team India in the spirit of Cooperative Federalism towards realisation of the goals of VISION 2022 when we will celebrate the 75th year of Independence. The objectives of the VISION are broadly: (a) providing basic amenities to all citizens in an equitable and just manner for ensuring a life with self-respect and dignity, and (b) providing appropriate opportunities to every citizen to realize his/her potential.
- Since a significant amount of Plan Transfers to States/UTs are routed through CSS, and since many CSS interventions are in the social sectors, it is imperative that they are designed to be effective and outcome-oriented. Moreover, they should be adequately funded and their implementation should be sufficiently flexible to enable the States to efficiently implement them according to local requirements and conditions.

Provision for CSS in Union Budget of 2015-16

- In the Union Budget for 2015-16, CSS are classified as Central Assistance to State Plan (CASP). In 2014-15, budgetary provisions were made for 66 CSS of which 17 large schemes were designated as ‘flagship’ programmes.
- With effect from BE 2015-16, following the acceptance of the recommendations of the 14th Finance Commission (FFC) by Government of India, the devolution to States has increased from 32% to 42% of the net Union Tax Receipts. In absolute terms, it is estimated that this entails additional devolution of Rs. 1.78 lakh cr to the States. As a result, the fiscal space available with the Union Government to fund CSS has shrunk.
- The 14th FC has recommended that sector-specific transfers from the Union to the States/UTs should be confined to sectors like education, health, drinking water and sanitation. However, in view of the preponderance of CSS being interventions in key sectors of national importance, the Government of India has retained 50 of the 66 ongoing CSS in Budget 2015-16. The balance are being either taken into the Central sector, or reformulated as new Umbrella Schemes or have been transferred to the States.

- Hence, post-14th FC devolution, the BE for Central Assistance to State Plan (CASP) has been reduced from Rs. 3.38 lakh cr in 2014-15, to Rs. 2.05 lakh cr in 2015-16. The BE for CSS has reduced from Rs. 2.52 lakh cr to about Rs. 1.69 lakh cr (excluding provision for CSS for UTs).

Rationalisation of CSS: Perspectives of Centre, State and UTs:

Common threads:

- Henceforth only Schemes/Programmes in CSS in key identified sectors will comprise the National Development Agenda.
- The number of Schemes/Programmes should be reduced for improving their visibility and impact.
- Investment in Core Schemes/Programmes should be maintained at least at their current level.
- While deciding the funding pattern, special dispensations need to be given for North Eastern and Himalayan States and UTs.
- States should be given flexibility in the implementation of the Schemes.
- Given their critical role in successful implementation of Schemes, the support from the Centre for remuneration of grass-root workers like ASHA, Aanganwadis, Contract Teachers etc. should be maintained at least at present levels.
- The mechanism for release of Central Assistance (CA) to the States under these Schemes should be simplified.
- There should be certainty regarding the availability of funds and Central Assistance likely to be available under these Schemes.
- Projects/activities that are already sanctioned earlier under these schemes should be completed for which adequate provisions should be made.
- NITI Aayog should emerge as a platform for addressing problems in implementation of Schemes/Programmes under the National Development Agenda.

Major Recommendations at a glance:

- Focus of CSS should be on the Schemes that comprise the National Development Agenda where the Centre and the States will work together in the spirit of Team India.
- Sectors/ tasks/objectives like Poverty Elimination including MGNREGA and Schemes for social inclusion; Drinking water and Swachh Bharat Mission; Rural Connectivity including Electrification; Access Roads and Communications; Agriculture including Animal

Husbandry, Fisheries and Irrigation; Education including Mid Day Meal; Health, Nutrition, Women and Children; Housing for All: Urban Transformation and Law and Order and Justice Delivery System would be Core Sectors as they constitute important elements of the National Development Agenda. MGNREGA and Schemes for Social inclusion would be accorded highest priority.

- Accordingly, existing CSS should be divided into: Core and Optional schemes.
- Amongst the Core Schemes, those for social protection and social inclusion should form the Core of the Core and be the first charge on available funds for the National Development Agenda.
- Ordinarily, in any sector there should be one Umbrella scheme having the same funding pattern for all its sub-components.
- Investment levels in Core Schemes should be maintained so as to ensure that the optimum size of the programme does not shrink.
- Funds for Optional Schemes would be allocated to States by the Ministry of Finance as a lump sum and States would be free to choose which Optional Schemes they wish to implement.
- From now onwards, the sharing pattern should be:
 - For Core Schemes
 - a) For 8 NE and 3 Himalayan States: Centre: State: 90:10
 - b) For other States: Centre: State: 60:40
 - c) For Union Territories: Centre: 100%
 - For Optional Schemes
 - a) For 8 NE and 3 Himalayan States: Centre: State: 80:20
 - b) For other States: Centre: State: 50:50
 - c) For Union Territories: Centre: 100%
- Existing funding pattern of schemes classified as Core of the Core to continue.
- Remuneration for ASHAs, Aanganwadi and Contract Teachers to be protected. However, Central Assistance (CA) may be capped at existing level for the next 2 years in this regard.
- Provision for incomplete projects: all works begun in projects in existence in 2014-15 in which work has been awarded till 31 March 2015 should be funded on the existing pattern for the next 2 years.

- Flexibility in Schemes and Institutional mechanism: 25% allocation in a Scheme should be flexi-fund, to be spent in accordance with Ministry of Finance guidelines.
- Design of CSS should be broadly like Rashtriya Krishi Vikas Yojana (RKVY) with a large number of admissible components in a scheme, and the States being free to choose components to suit their local needs.
- Cost norms in construction component of schemes should be decided by States subject to capping of allocation by the Centre.
- Releases of funds should be simplified, based on yearly authorization. Actual release of cash would be on quarterly basis.
- Releases should be based on Utilisation Certificates of the instalment prior to the last instalment to a State/UT.
- The Ministry of Finance would make Scheme-wise allocations for Core Schemes. In each Core Schemes, there would be transparent criteria for State allocation of funds. There would also be transparent criteria for the lump sum allocation to States for Optional Schemes. These criteria to be evolved by NITI Aayog in consultation with State Governments and central Ministries.
- NITI Aayog to have concurrent jurisdiction in monitoring of Centrally Sponsored Schemes in the States and Central Ministries.
- Third-party evaluation by NITI Aayog.

Chapter I

INTRODUCTION

1.1 Plan transfers to States by the Union Government are classified as Central Assistance to State Plan (CASP). They are of two types: Plan transfers under Schemes and Plan transfers under Block Grants.

1.2 Presently, resources flow to States under two kinds of Schemes: Central Sector Schemes and Centrally Sponsored Schemes (CSS)

(A) Central Sector Schemes are directly implemented by the Central Ministries. Ordinarily, these are in sectors falling in the Union List of the Constitution and are implemented through entities working directly or under the direct supervision of the Union Government and are funded 100% by the Union Government; and

(B) Schemes that are implemented through the State Governments and in sectors falling in the State and Concurrent Lists of the Constitution comprise the CSS. In these Schemes ordinarily funding is shared between the Centre and States.

1.3 The provision in the Union budget for the CSS is classified as Central Assistance to State Plan (CASP*). Till BE 2014-15, the CASP constituted about 59% of the Plan budget of the Union, and within CASP, the CSS accounted for 75%. Since such a large volume of assistance flows through this route, the rationalisation of CSS for improving outcome and impact has naturally emerged as a vital concern.

**Until BE 2014-15, CASP comprise CSS and Block Grants including Normal Central Assistance (NCA), Additional Central Assistance (ACA), One Time Additional Central Assistance, Special Central Assistance and Special Plan Assistance. The above mentioned Block Grants have been discontinued in*

1.4 The Sub-Group notes that, in June 2013, Government of India had restructured CSS in response to issues raised by Chief Ministers in the National Development Council and consequent recommendations made in this regard in the 12th Plan. As a result, in BE 2014-15, budgetary provisions were made for 66 CSS which included 17 large CSS which were called ‘flagship’ schemes. The rationalisation also provided for flexibility to the States in implementation of these schemes. In accordance with the view of many States, it also mandated that Central Assistance under CSS would flow to the Consolidated Funds of the States and that the fund flows would be classified as part of CASP. The key decisions regarding June 2013 re-structuring is placed at Annexure-II.

1.5 Notwithstanding the restructuring undertaken in BE 2014-15, the prevailing arrangements for designing and implementation of CSS fell short of expectations. The States contend that the proliferation of CSS and the gradual reduction in untied Block Grants under Plan, has led to shrinking fiscal space for States. Moreover, there is an overwhelming emphasis on a process-centric approach and lack of flexibility in designing and implementing the CSS that has diffused the focus on their outcomes.

Decision of Governing Council of NITI Aayog

1.6 The need for further re-structuring of CSS was discussed in the first meeting of the Governing Council of NITI Aayog, held on 8th February, 2015. The Council endorsed the broad contours of the National Development Agenda and called for

the Union and the States to work as 'Team India' to meet the challenge of transforming the lives of our people.

2

1.7 During the deliberations on CSS, a few broad themes emerged:

(i) First, the proliferation of CSS needs to be curbed. A large number of Schemes results in spreading resources thin and thereby adversely impact desired outcomes.

(ii) Second, States need to be given flexibility in implementing the Schemes; the 'One-Size-Fits All' approach of CSS was adversely affecting outcomes. There was near unanimous consensus that CSS should be designed with in-built flexibility, so that implementation in the State is customized to State-specific requirements.

(iii) Third that the sharing pattern should be such that no State/UTs finds it difficult to access available Central Assistance.

1.8 After deliberations, it was decided to constitute a Sub-Group of Chief Ministers to review the entire gamut of issues concerning the Rationalisation and Restructuring of the CSS.

Sub-Group on Rationalisation of Centrally Sponsored Schemes

1.9 The notification of the Sub-Group dated 9th March 2015 is at Annexure- I of the Report. The Terms of Reference (ToR) of the Group were as follows:

(i) To examine the existing CSSs and recommend measures for ensuring that their implementation is streamlined and adequately flexible.

(ii) In the light of the 14th Finance Commission (FFC) recommendations, the increased devolution of taxes to States, and the higher revenue deficit

grants, to suggest reforms of the schemes which are being continued under CSS.

- (iii) To recommend appropriate measures for coordination between the Centre and the States and among the States for achieving the objectives of the schemes.

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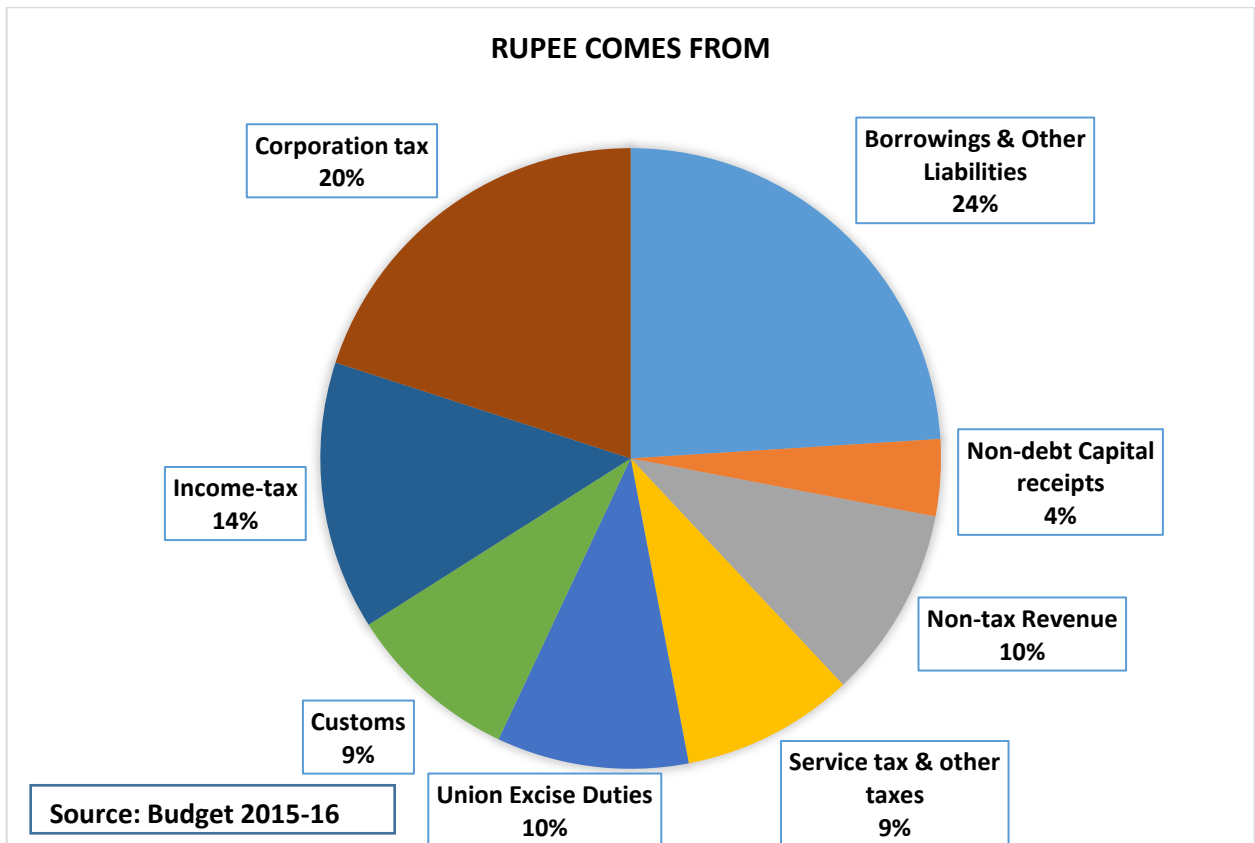
- (iv) Any other measures related to the schemes to strengthen the national development agenda and ensure outcomes.

1.10 The Sub-Group was to submit its Report to the Prime Minister within three months of notification.

Chapter II

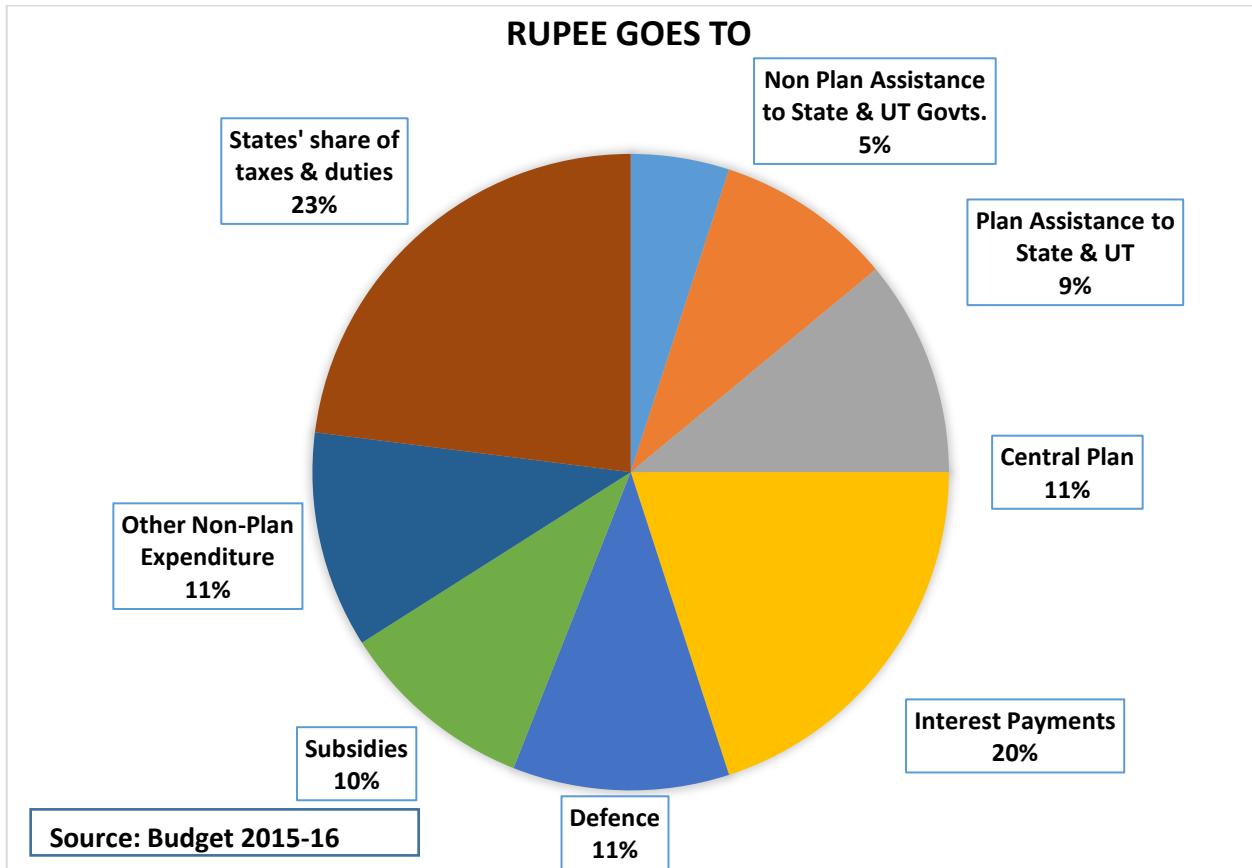
BACKGROUND

2.1 The Sub-Group notes that the Budget of 2015-16 provides the following break-up of revenue collected by Government of India:



2.2 Taxes - Corporation tax, Income Tax, Customs, Union Excise Duties and Service taxes – together account for 62% of the revenue collected by the Centre. Borrowings by the Union constitute 24% of the resources collected by the Union. Non-tax revenues and non-debt capital receipts account for the balance at 10% and 4% respectively.

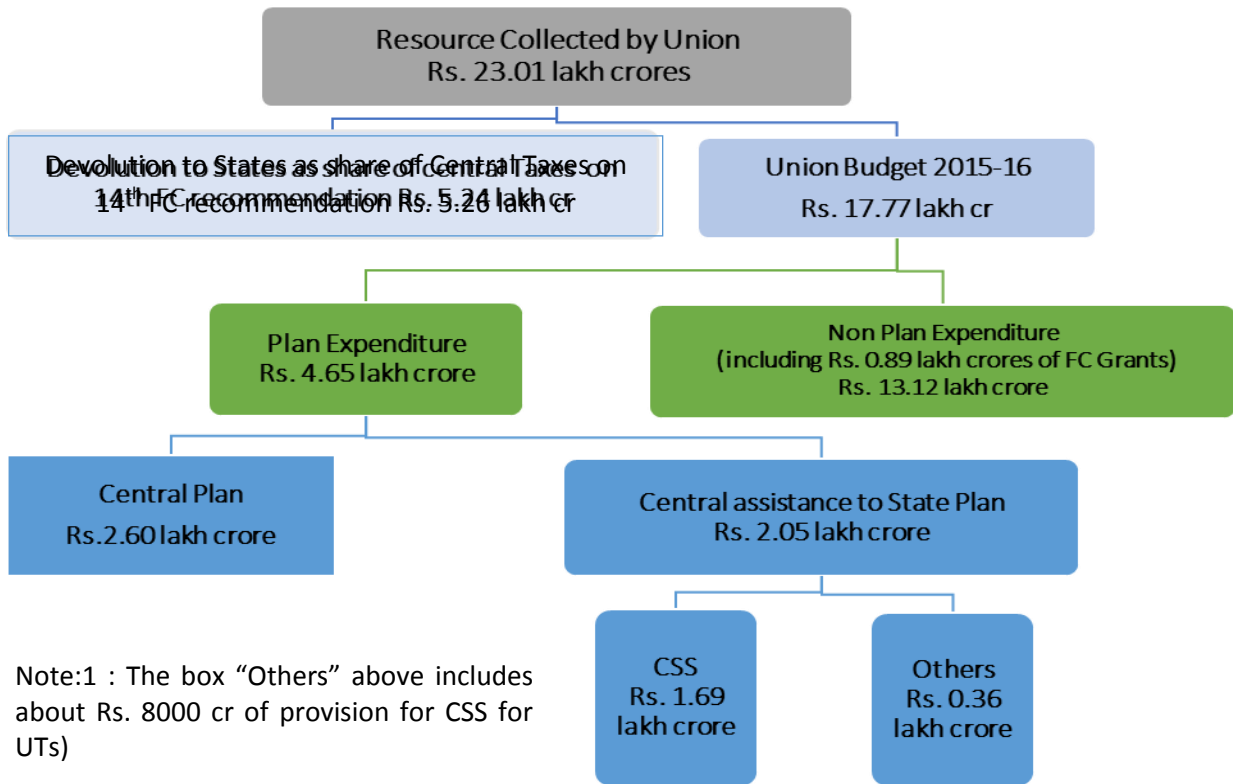
2.3 The expenditure from collected resources is as follows:



Source: Budget At A Glance (2015-16)

2.4 The Plan budget of the Union in 2015-16 is Rs. 4.65 lakh cr i.e. about 20% of the resources collected by the Union. This comprises Central Assistance to State Plans/UTs (9%) and the Central Sector Plan (11%).

2.5 The overall destination of expenditure in the budget 2015-16 is as below:



Note:1 : The box "Others" above includes about Rs. 8000 cr of provision for CSS for UTs)

Note:2: Rs. 0.89 lakh cr of FFC grant includes Rs. 0.49 lakh cr of Revenue Deficit Grant, Rs. 0.30 lakh cr of Local Bodies Grant and Rs. 0.09 lakh cr of National Disaster Relief Fund

Note: 3: Grant of Rs. 0.89 lakh cr based on FFC awards figures under Union Budget

Recommendation of the 14th FC and provision for CSS in Union budget 2015-16

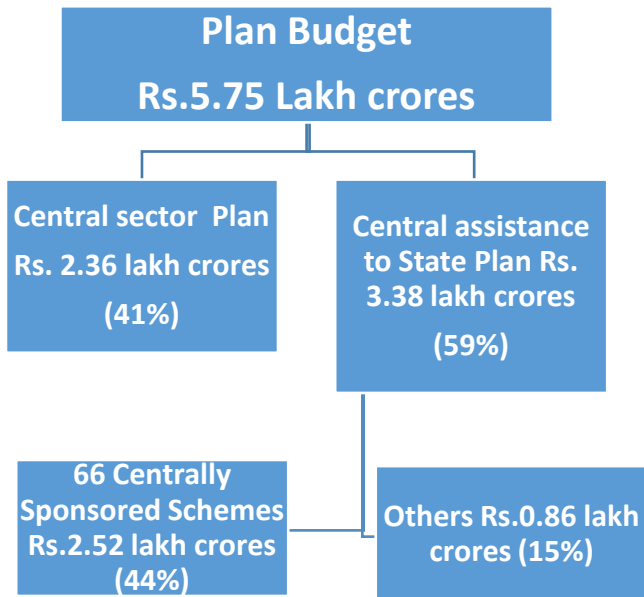
2.6 The Sub-Group notes that the proposal for CSS in Union Budget 2015-16 has taken note of following two major changes:

(a) Government of India has re-organised some of the existing schemes in accordance with the emerging priorities.

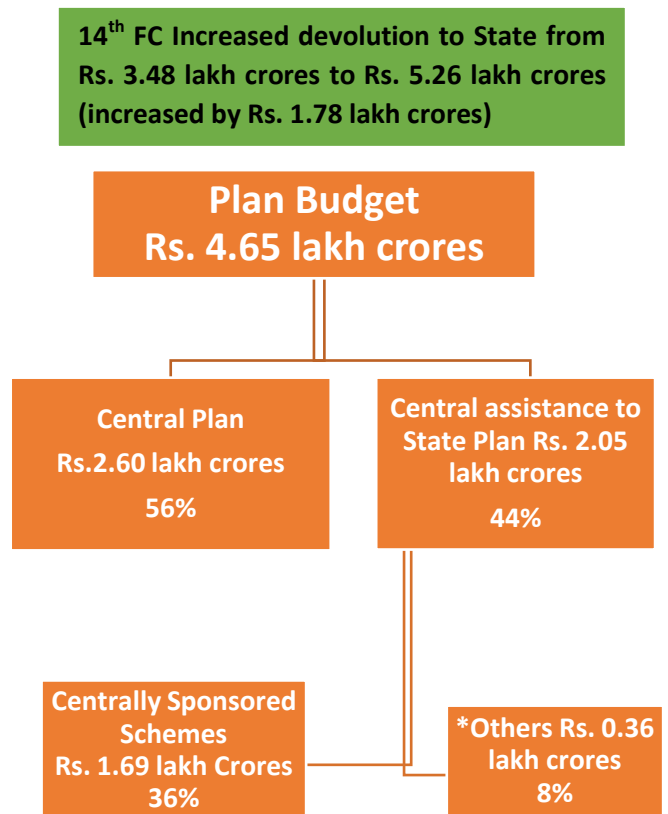
(b) Government of India has accepted the recommendations of the 14th FC regarding greater devolution to States (from 32% to 42% of Union's net tax receipts). This has resulted in total devolution to States increasing from approximately Rs.3.48 lakh cr to Rs. 5.26 lakh cr– an estimated increase of Rs. 1.78 lakh cr for the current year (2015-16).

2.7 A comparison of provisions made for CASP including CSS in BE 2014-15 and in BE 2015-16 (post-FFC devolution) is provided below.

Budget 2014-15



Budget 2015-16



2.8 The Sub-Group notes that in 2014-15, the size of the Plan budget (including Central Sector Plan and CASP) was 26% of the mobilized resources which has reduced to 20% in 2015-16. This is largely because of the increase in net tax

devolution to States. The Sub-Group notes that the Plan Budget in 2015-16 has been reduced from Rs. 5.75 lakh cr to Rs. 4.65 lakh cr whereas the provisional expenditure in 2014-15 stood at Rs. 4.54 lakh cr. Therefore, the Sub Group notes the Ministry of Finance view that after the additional devolution to the States is taken into account, the gross amount of resources of the Centre and States taken together for meeting the National Development Agenda covered under CSS has **not** reduced.

2.9 The Sub-Group further notes that in BE 2014-15, there were 66 ongoing CSS for which provisions were made as follows:

Table: 1: Subjects on which 66 Scheme were implemented in 2014-15.

Sl. No.	Schemes	Number
1	Schemes on subjects falling in the State List of Schedule 7 of the Constitution	35
2	Schemes on subjects falling in the Concurrent List of Schedule 7 of the Constitution	31
	Total	66

2.10 The Sub-Group further notes that the 14th Finance Commission (FFC) has mentioned that *Local Bodies should be required to spend the grants only on the*

basic services within the functions assigned to them'. In accepting these recommendations, the Government of India has increased the Grants to local bodies very substantially. It is therefore essential to effectively harness these grants by ensuring that the third tier as government, i.e Panchayati Raj Institutions and Urban Local Bodies join in this endeavour as a key partner in national development with the Centre and the States. In BE 2015-16, the Centre has re-classified the existing 66 CSS as follows:

Table:21: Classification of CSS

Classification of CSS	Distribution of original 66 CSS	Remarks
(A) Schemes to be implemented un-altered	17	Some of these schemes are reformulated with addition of new components, or taken up in Central Sector
(B) Schemes to be implemented with a changed sharing pattern	33	
(C) Schemes delinked from Union support: States may decide to continue from their own resources	8	
(D) Other schemes which are part of devolution to the States or have been re-structured in (A), (B) and (C) above.	8	
Total	66	

2.11 The Sub-Group also notes that in 2014-15, there were 17 schemes which were deemed crucial and were implemented as 'Flagship' schemes. In the current year BE 2015-16, many of these schemes have been reformulated. Currently the major schemes are:

Table:3: Major Schemes in BE 2015-16

Sl. No	Schemes
1	Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)
2	Pradhan Mantri Gramin Sadak Yojana (PMGSY)
3	National Social Assistance Programme (NSAP)
4	Krishi Unnati Yojana
5	Pradhan Mantri Krishi Sinchai Yojana
6	National Health Mission
7	Education: Sarva Siksha Abhiyaan and Mid Day Meal scheme
8	Integrated Child Development Schemes and related programmes
9	Swachh Bharat Abhiyaan
10	Housing for All : Urban and Rural
11	National Livelihood Mission : Urban and Rural
12	Urban Mission including Smart Cities programme and Urban Rejuvenation programme for 500 cities

2.12 The Sub Group also notes that the allocation of resources for the following schemes are specifically meant for strengthening social protection:

Table VI: MGNREGA and Schemes for Social protection

Sl. No.	Scheme	Categorization in BE 2015-16	Allocation in BE 2015-16 (including central sector components) in Rs. cr)
1	MGNREGA	A	33,700
2.	National Social Assistance Programme	A	9000
3	National Programme for persons with disabilities	A	5
4	Scheme for development of scheduled caste (it has components in Central Sector also)	A	2649
5	Umbrella Scheme for education of ST children	A	1155
6	For Minorities: (has schemes in both CSS and CS) CSS: 1. Multi Sector Development Programme for Minorities- CSS (Rs. 1244 cr) 2. Scheme for providing education to Madrasas/Minorities – CSS (Rs. 375 cr)	A	3474 CSS: 1619 CS: 1855
7.	Welfare of other Backward classes	A	1094

2.13 The Sub-Group further notes that some schemes arise from obligations flowing from legislations. For these, Central Assistance to States is routed either through Plan schemes or Non-Plan funds or a combination thereof. Current arrangements in this regard are shown in Table IV:

Table IV: Legislation backed Schemes

Legislation backed Schemes	Scheme/Budget in 2015-16
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National Rural Employment Guarantee Act 2005	MGNREGA Scheme is implemented as a CSS. In the current budget allocation of Rs. 33,700 cr has been made
Right to Education Act 2004	Sarva Sikshaa Abhiyaan : Covers some of the obligations under the Act. In 2015-16, Cess portion retained to meet central obligations but budgetary portion reduced from Rs. 8,894 cr to Rs. 2,000 cr as these are to be borne by States.
National Food Security Act 2013	Mostly covered through the Targeted Public Distribution system as Non-Plan. However, the Supplementary Nutrition Programme under ICDS, is supplied subsidised food grains bringing down costs of delivery under the Scheme.

2.14 The Sub-Group also notes that two of the existing CSS and components of 3 others have been taken over as Central Sector Schemes i.e. to be funded 100% by the Central Government.

Table V: Schemes taken up as Central Sector Schemes in BE 2015-16

Sl. No	Scheme	New arrangement
1	Catalytic Development Program of Sericulture	Central Sector scheme
2	National Handloom Development Programme	Central Sector scheme
3	National River Conservation Programme Now Namami Gange	Central Sector Scheme
4	Component of NMEW (National Mission for Empowerment of Women)	Central Sector scheme as an Umbrella scheme for protection and development of women
5	Scheme for Social Security of unorganised workers (including RSBY)	Central Sector

Flow of Central Assistance to State Plans in the 12th Plan

2.15. The State-wise release of Central Plan transfers to States (CSS and block grants) in the last three years of the 12th Plan is tabulated in Table VII below:

Table VII: Central Plan Transfers to State Plan (2012-13 to 2014-15)

S. No.	State	No. of CSS Operating in the State	Central Release in all 66 CSS (Rs. In crores)			Total Release for first three years of 12th plan (Rs. In Crores)	Block Grants (Rs. In Crores)			Total Release for first three years of 12th Plan (Block Grants) (Rs. In Crores)	Total Central Assistance to State Plan for first three years of the 12th plan (Rs. In Crores)	Block grant as percent release of CSS
			2012-13	2013-14	2014-15		2012-13	2013-14	2014-15			
1	Andhra Pradesh	60	7220	6824	13858	27902	4707	4288	1387	10382	38284	37
2	Bihar	59	16901	19347	14108	50356	5784	7099	2518	15401	65757	31
3	Chhattisgarh	61	7315	6137	6566	20018	2219	2203	815	5237	25255	26
4	Goa	48	156	131	148	435	336	343	272	951	1386	219
5	Gujarat	62	8407	7840	7391	23638	3493	2889	1077	7459	31097	32
6	Haryana	60	2882	3300	2975	9157	989	1137	411	2537	11694	28
7	Jharkhand	57	5875	4289	4588	14752	2711	1751	1092	5554	20306	38
8	Karnataka	63	8648	10146	9577	28371	4076	4306	2189	10571	38942	37
9	Kerala	63	4083	4279	4956	13318	1918	1666	1220	4804	18122	36
10	Madhya Pradesh	61	13199	15121	12987	41307	7385	6571	3062	17018	58325	41
11	Maharashtra	63	14807	12686	11571	39064	5941	5663	1825	13429	52493	34
12	Odisha	62	8768	9188	9376	27332	4018	4130	1994	10142	37474	37
13	Punjab	58	2798	3598	3493	9889	1070	1531	849	3450	13339	35
14	Rajasthan	62	9673	11974	13706	35353	2693	3570	1977	8240	43593	23
15	Tamil Nadu	61	10854	13262	11563	35679	4403	5577	2406	12386	48065	35
16	Telangana	51	6402	8427	4159	18988	--	127	598	725	19713	4
17	Uttar Pradesh	62	19350	25000	22851	67201	6376	7532	2821	16729	83930	25
18	West Bengal	61	16005	14467	15901	46373	6772	5196	2743	14711	61084	32
19	Arunachal Pradesh	50	1929	1528	1613	5070	2839	3108	2674	8621	13691	170
20	Assam	60	7524	8313	7990	23827	6157	6399	4418	16974	40801	71
21	Manipur	58	1999	1310	1624	4933	2738	2692	2098	7528	12461	153
22	Meghalaya	57	1256	1565	1332	4153	1911	2164	1493	5568	9721	134
23	Mizoram	61	1307	1194	1212	3713	1964	1971	1664	5599	9312	151
24	Nagaland	58	1755	1371	1599	4725	2345	2407	1932	6684	11409	141
25	Sikkim	55	625	545	611	1781	1151	1511	1298	3960	5741	222
26	Tripura	61	2109	2407	2333	6849	2756	3109	2380	8245	15094	120
27	Uttarakhand	60	1965	2108	2496	6569	3119	3752	3267	10138	16707	154
28	Himachal Pradesh	62	1495	2054	2102	5651	4386	3902	3996	12284	17935	217
29	Jammu & Kashmir	56	3873	4602	3757	12232	9610	9074	9015	27699	39931	226
	Total		189180	203013	196442	588635	103867	105668	63491	273026	861661	46

* Including Telangana

(Total Population excludes UTs population)

2.16 The Sub-Group notes that in the first three years of the current Plan (2012-2015) the Union has transferred about Rs. 8.61 lakh cr to the States. Of this, Rs. 5.88 lakh cr. has been released as assistance under CSS and Rs. 2.73 lakh cr as Block Grants to States.

2.17 The Sub-Group further notes that, in percentage terms, block grants formed a much larger portion of Central Plan transfers to Special Category States. The annual average release to all 11 North Eastern and Himalayan States in CSS is about Rs. 25,790 cr, whereas for a populous state like Uttar Pradesh overall release for the whole State is on an average Rs. 22,333 cr per year.

2.18 The Sub-Group is of the view that the main issue in hand is to assess the efficiency of resource-use viz., large flows of Central Assistance must be effectively utilized in terms of outcomes. This entails comparing performances across States to identify strength and weaknesses with a view to build on the strength of the individual States.

2.19 The Sub-Group further notes that for schemes falling in Category B in the Union budget, the 2014-15 allocation for North Eastern and 3 Himalayan States was less than Rs. 24,000 cr. However, actual releases to these States were just about Rs. 15,000 cr i.e. just a little over 60% of the BE figure. As against this, for other States, the corresponding percentage of release is above 85%. The Sub-Group notes that the above figures clearly indicate that due to various factors, NE and Himalayan States have not been accessing Central assistance under CSS to their full potential.

2.20 The Sub-Group concludes that given the large fund flows under CSS, the imperative is to (a) ensure effective utilization resources; (b) structure CSS in a flexible manner to enable States to have CSS that suits their local requirements; (c) draw on past experience of States, identify strengthen and best practices that can be emulated and ensure regular evaluation of outcomes. The task before the Sub-Group is of utmost importance for realization of goals under the National Development Agenda as any efficiency gain coupled with flexibility accorded to States would further enable the Centre and States together to implement the Schemes with greater visibility and impact.

Chapter III

CONSULTATIONS UNDERTAKEN BY THE SUB-GROUP

3.1 The Sub-Group undertook extensive consultations with the States/UTs which were represented by their respective Chief Ministers/Lieutenant Governor in the Sub-Group as well as with other States/UTs at the official level.

3.2 The details of the consultations held by the Sub-Group are placed in Annexure-3 . Broadly, the Sub-Group held the following consultations:

(A) **Consultations with Central Ministries:** The convener of the Sub-Group held a meeting with officials of Ministry of Finance and NITI Aayog on **March 23, 2015**. Thereafter, on **April 16, 2015**, day long deliberations were held with key Central Ministries on important CSS to ascertain the perspective of these Ministries.

Table: VIII: Interaction with Central Ministries on important CSS

Programme/themes	Central Ministries/Department concerned
Presentation on flagship CSS <i>(Schemes: RKVY; AIBP & Sinchai Yojana, IWMP, MGNREGA, PMGSY, IAY; new programmes</i>	<ul style="list-style-type: none">• Agriculture and Cooperation• Agriculture Research and Education• Animal Husbandry• Water Resources• Land Resources• Rural Development
Swachh Bharat Mission <i>(Schemes: NBA-now Swachh Mission (2014-15 and 15-16) urban Swachh component,)</i>	<ul style="list-style-type: none">• Drinking Water and Sanitation• Urban Development
Presentation on important CSS <i>(Schemes SSA, MDM, ICDS, NHM)</i>	<ul style="list-style-type: none">• School Education and Literacy• WCD• Health and Family Welfare

On **May 15, 2015** another meeting was held with officials of Ministry of Finance by the Convener of the Group.

(B) Consultation at official level with States and UTs not represented in the Sub-Group by Chief Ministers/LGs: In pursuance to the decision of the Sub-Group to hold consultations with all State/UTs, CEO NITI Aayog undertook extensive meetings with States/UTs as follows:

Table IX: Regional Consultations

Date	Place	States invited
13th April, 2015	New Delhi	Preliminary discussion with 19 States.
12th May, 2015	Kolkata	Bihar, Odisha, Sikkim, Tripura, Assam, Mizoram, West Bengal (Sikkim, Tripura and Mizoram could not attend)
19th May, 2015	Chandigarh	Himachal Pradesh, Punjab, Haryana, Uttarakhand and Meghalaya
26th May, 2015	Delhi	UTs with legislature: Delhi and Puducherry; UTs without legislature- Chandigarh, Dadra and Nagar Haveli, Daman & Diu, Lakshadweep
1st June, 2015	Hyderabad	Andhra Pradesh, Chhattisgarh, Gujarat, Goa, Karnataka, Maharashtra and Tamil Nadu

(C) Meetings of the Sub-Group: Four meetings were held by the Sub-Group.

- In the first meeting, held on **March 27, 2015**, the Sub-Group discussed the basic approach to be adapted for arriving at its recommendations. The Sub-Group also constituted a Group of Officers under the chairpersonship of CEO/NITI Aayog to assist the Sub-Group in identifying the issues involved and suggesting draft recommendations based on the deliberations of the Sub-Group.

- In its second meeting, held on **April 27, 2015** in New Delhi, the Sub-Group noted the inputs received from States and the issues and key questions prepared by the Group of Officers. It deliberated on these issues and further took note of the inputs received during official levels consultations held by CEO/NITI Aayog.
- In its third meeting, held in Bhopal on **May 28, 2015**, the Sub-Group identified the broad consensus emerging on the key issues. The Sub-Group was also briefed by the CEO/NITI regarding further inputs received during regional consultations. Based on the above, the Sub-Group recommended a broad approach for finalization of the recommendations.
- In its fourth meeting, held in NITI Aayog, New Delhi on June 27, 2015, the sub-Group considered the Report prepared by the Group of Officers in accordance with the directions of the Sub-Group in its third meeting. The Sub-Group broadly finalized the recommendations and requested CEO/NITI Aayog to circulate the final draft by July 5, 2015.

3.3 During these consultations, the Sub-Group has benefited from observations, perspectives and suggestions of Chief Ministers and senior officials working in different States/UTs. These have been kept in view while finalizing recommendations as contained in chapter IV of this Report.

Rationalisation of CSS: Perspectives of Central Ministries, States and UTs

3.4 Views of Central Ministries:

- In comparison with 12th Plan allocations, the size of the schemes has been reduced because of the constrained availability of Central resources.
- Most of the current large schemes are critical for the National Development Agenda.
- Post FFC, if a States share does not increase then a reduction in the size of a scheme is inescapable.
- There are specific targets required to realise Vision 2022. The availability of funds for implementing schemes in Core sector needs to be protected. Therefore, States should come forward and commit a larger quantum of resources for these schemes.

3.5 View of Department of Expenditure

- The current weighted average of funding pattern in CSS between Centre: State is 67:33. In view of the larger devolution to the States, there is a case for increasing the share of the State to 50% with Central share of 50% to maintain Scheme size.
- 66 Schemes can be reduced to about 20 Schemes and their funding pattern should be uniform.
- After the FFC award, there is no need to have a separate funding pattern of schemes for Special Category States. Special assistance may be given to them for creation of physical infrastructure through NITI Aayog.

3.6 Views of State Governments:

- Proliferation of CSS should be addressed. States must have voice as to which scheme to implement.
- Year-on-year uncertainty regarding allocation in CSS should be addressed. At the start of the year, the funds allocated to a State in CSS as a whole must be known and predictable.
- The funding pattern should not be so onerous that the State may find it difficult to access the Central funds. Special dispensations are needed for States with a weak revenue base.
- The scheme design should provide for flexibility in implementing the scheme. The Centre should monitor outcomes and leave implementation to States.
- FFC devolution means untied funds. CSS should not become an instrument to take away this flexibility.
- Procedure for release of instalments should be simplified.
- Funding for some incomplete projects taken up under CSS in earlier years, has been discontinued from the current year. This problem needs resolution.
- Need for a platform (like NITI) at the Centre to discuss problems of the States in implementing CSS and to resolve dignitaries.
- Shift from expenditure-based monitoring and release of funds to outcome-based monitoring and release of fund.

3.7 Views of the Union Territories:

Briefly, the UTs have stated the following:

- FFC devolution is **not** applicable to UTs. Hence, CSS should be 100% funded by Centre.

- Despite their size and requirement, UTs are compelled to implement a very large number of CSS with very low budgetary allocations. This is unsatisfactory and not sustainable.
- While the UT administration has the responsibility to provide infrastructure and basic services to its citizens, CSS as a whole should be implemented in UTs by the Central Government.
- The size, resource endowments, requirements and cost norms are very different across UTs. Hence, a much greater degree of flexibility is needed for implementing CSS. For instance, MGNREGA is critically important for UTs like A&N islands but is not relevant for largely urban UTs of Delhi and Chandigarh.
- UTs are looking for an arrangement where they can select 4-5 sectors of importance in consultation with NITI Aayog and implement only those schemes.

Rationalisation of CSS: Objectives

3.8 After careful consideration of these views, the Sub-Group concludes that the arrangements for implementation of CSS should result in the following:

- Ensure adequate funding of schemes which are crucial to the National Development Agenda.
- Reducing the proliferation of CSS and sub-components with varying sharing patterns.
- Flexibility to States in implementation of schemes.
- Funding pattern in a CSS should indicate shared responsibilities between the Centre and the State in the sectors in which CSS are being implemented. However, the sharing pattern should not be such that States with weak revenue bases are not able to access Central funds.

- Removal of uncertainty regarding funds likely to be received by a State under CSS for better formulation of State Plans and Budgets.
- Timely releases to States through a predictable and simplified process, to take full advantage of the working season.
- Shift from expenditure-based monitoring to outcome-based monitoring and evaluation.
- Funds for completion of incomplete projects.

Rationalisation of CSS: Issues

3.9 In its second meeting, the Sub-Group identified issues for inviting inputs that would lead to specific recommendations. The broad issues are:

- (A) Number of CSS to be implemented.
- (B) Funding pattern of CSS.
- (C) Measures to be recommended for improving the design of CSS and flexibility of implementation.
- (D) Measures to be adopted to simplify and improve mechanisms for releases to States.
- (E) Arrangements to be put in place to ensure that incomplete projects are completed.
- (F) Measures for coordination between the Centre and the States, and among the States, for achieving the objectives of the CSS.

Chapter-IV

RECOMMENDATIONS

Vision 2022

4.1 India will be celebrating its 75th year of Independence in 2022. The Sub-Group, is of the view that the CSS as the shared interventions of the Centre and State should form the National Development Agenda that transcends individual States and binds the nation together in a fruitful partnership as Team India to improve the quality of life of our people.

4.2 At the outset the Sub-Group notes that there has been an overwhelming response and intense engagement by all State Chief Ministers as members of the Governing Council of NITI Aayog to come together and provide valuable suggestions for rationalisation of CSS. After detailed deliberations and taking into account the views of all State Governments/UTs, the Sub-Group makes the following recommendations

Recommendation 1: National Development Agenda

4.3 Among the sectors in which CSS are implemented, it is important to identify the priority sectors that shall comprise of essential interventions as the National Development Agenda for realizing **VISION 2022**. In this regard, the Sub-Group recommends that Schemes in following sectors should be given priority:

- **Poverty Elimination – Livelihoods, Jobs and Skill Development**
- **Drinking Water and Swachh Bharat Mission**
- **Rural Connectivity: Electricity; Access Roads and communication.**
- **Agriculture, including Animal husbandry, Fisheries Integrated Watershed Management and Irrigation**

- **Education, including Mid Day Meal**
- **Health, Nutrition, Women and Children**
- **Housing for All: Rural and Urban**
- **Urban Transformation**
- **Law and Order, Justice Delivery Systems**
- **Others which may include Wildlife Conservation and Greening**

4.4 The Sub-Group also specifically recommends that priority be given to river conservation, river basin management, integrated watershed management, and waste land development, forest and environmental sustainability and coastline protection.

4.5 The Sub-Group is confident that the priorities of the Union Government in the above mentioned sectors strongly resonates with the priorities of the State Governments and they reflect national goals in letter and spirit.

Recommendation 2 : Number of Schemes:

4.6 The majority of the States were of the opinion that currently a very large number of schemes are being implemented as CSS. Till 2014-15, out of 66 CSS, almost 86% of the Central assistance was accounted for by only 17 schemes (known as 'Flagship Schemes' on account of their size and scale). The balance 49 schemes received low budgetary allocations. However, since even in the low budget schemes, some Central assistance was available; the States therefore felt compelled to implement them all, so as to avail of matching assistance. The net outcome has been a thin spread of resources across such schemes. This is shown in Tables X and XA:

Tables X and Table XA Budgetary provision and spread of 49 non-flagship CSS

Tables X

Releases	
Schemes having release	Number of Schemes
less than Rs. 200 crores	12
Rs. 200-500 crores	11
Rs. 500 - 1000 crores	10
More than Rs. 1000 crores	16
Total	49

Table XA

Geographical Spread	
States Implemented	Number of Schemes
Less than 10 States	2
in 10-15 States	2
in 15-20 States	4
in 20-25 States	8
More than 25 States	33
Total	49

4.7 In BE 2015-16, budgetary provision has been made for only 50 CSS. Of these, 17 schemes have been proposed to be implemented under Category A where the funding pattern remains unchanged. While provisions for another 33 CSS have been made, they are proposed to be implemented with a changed funding pattern. The balance 16 schemes have been either reformulated and/or taken over as Central Sector Schemes or transferred to the States.

4.8 A majority of the States have indicated that the number of CSS need to be pruned, because

- (a) Large number of schemes results in spreading the resources too thin.

(b) Given significant variation across States in terms of development indicators and resource endowments, many schemes are simply not relevant to many States. However, States are implementing a large number of schemes because non-implementation would imply not getting whatever assistance is available in a particular scheme. Largely because of this reason, some States prefer continuation of all the schemes till the end of the 12th Plan (March, 2017).

4.9 The Sub-Group is of the view that there could be two approaches to make the schemes more effective and address the problem of "one-size-fits-all":

(a) To have a relatively larger number of admissible components within a Scheme in a manner that States at different levels of development and with different needs can choose components that are relevant to them, with the volume of Central Assistance remaining unaffected by the number of components chosen. For instance, in PMGSY, admissible components may include connecting villages having different thresholds of population or components allowing construction of new roads as well as repair and maintenance of roads taken up earlier. This approach largely addresses the problem of all aspects of a Scheme or all its components not being relevant to any particular State;

Or

(b) To convey an indicative allocation to a State for a group/class of Schemes based on the current year's allocation and let the State choose the Schemes they prefer to implement, and also indicate the funds that they prefer to receive in the opted number of schemes subject to the overall indicative allocation.

4.10 The Sub-Group is of the view that a combination of both approaches would be optimum and recommends that the same be adopted for all the Schemes that will be part of the National Development Agenda.

4.11 **Further, Schemes in the National Development Agenda should be classified as "Core" and "Optional". Core Schemes would have compulsory participation by States, whereas amongst the Optional Schemes, States could choose some or all of them.**

4.11.1 **Core Schemes:**

Core Schemes would include MGNREGA as well as Schemes for Social Inclusion as identified in para 2.12 above and Schemes in sectors identified in para 4.3 above. Among the Core Schemes, MGNREGA + Scheme for Social Inclusion would be “the Core of the Core” and shall be the first charge on funds available for the National Development Agenda. An illustrative list of such Core of the Core Scheme as given in para 2.12 in the Report is reproduced below:

CORE OF THE CORE SCHEMES

Sl. No.	Scheme	Categorization in BE 2015-16	Allocation in BE 2015-16 (including central sector components) in Rs. cr)
1	MGNREGA	A	33,700
2.	National Social Assistance Programme	A	9000
3	National Programme for persons with disabilities	A	5
4	Scheme for development of scheduled caste (it has components in Central Sector also)	A	2649
5	Umbrella Scheme for education of ST children	A	1155
6	For Minorities: (has schemes in both CSS and CS) CSS: 1. Multi Sector Development Programme for Minorities- CSS (Rs. 1244 cr) 2. Scheme for providing education to Madrasas/Minorities – CSS (Rs. 375 cr)	A	3474 CSS: 1619 CS: 1855
7.	Welfare of other Backward classes	A	1094

4.11.2 **Optional Schemes:**

- i) All non-Core Schemes would be Optional Schemes.

Ordinarily, no new Scheme should be introduced in the sectors identified under the National Development Agenda without extensive consultations with the State Governments unless the Union Government is of the view that it is expedient to do so.

- ii) In addition in case a new Scheme is launched, in the sectors identified in para 4.3 above, the same may be automatically classified as a Core Scheme to be implemented by all States.
- iii) Finally, in case of differences in views about a classification of Schemes, the matter be taken up by NITI Aayog, which can make appropriate recommendations in this regard.

Number of Schemes

4.12 While the Sub-Group has given an indication of the kind of Schemes that could be classified as Core Schemes in para 4.3 above, it leaves the actual choice of these Schemes to Government of India which may finalise the same on the basis of **criteria indicated in para 4.3 below**.

4.13 The Sub-Group recommends that the existing CSS should be restructured and their number should be reduced to a maximum of 30 Schemes. All these schemes would be 'Umbrella Schemes', with every Scheme having a large number of components with a uniform funding pattern. As far as possible, except for a few core components, the decision to implement components within a scheme should be left to the State Government, thereby allowing States maximum choice among components. If there are multiple schemes in a sector, the approach should be to consolidate all such schemes into a single 'Umbrella Scheme'.

4.14 The list of existing 66 CSS and the proposed Umbrella Schemes is as under:

S.No.	List of 66 CSS approved by the Cabinet for the 12th plan	Proposed Umbrella Programmes/Ministries
1	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA)	1. National Rural Employment Guarantee Scheme
2	National Social Assistance Programme (NSAP)	2. National Social Assistance Programme
3	National Programme for persons with disabilities	3. National Programme for Persons with Disabilities
4	Scheme for Development of Scheduled Castes	4. Umbrella Programme for Development of Scheduled Castes
5	Umbrella scheme for Education of ST students	5. Umbrella Programme for Development of Scheduled Tribes
6	Minorities including Multi Sectoral Development Programme for providing Education to Madrasas/Minorities	6. Multi Sectoral Development Programme for Minorities
7	Scheme for Development of Other Backward Classes and denotified, nomadic and semi-nomadic Tribes	7. Umbrella Programme for Development of Other Vulnerable Groups
8	Scheme for development of Economically backward Classes (EBCs)	
9	Pradhan Mantri Adarsh Gram Yojana (PMAGY)	
10	National Food Security Mission	8. Krishi Unnati Yojana
11	National Horticulture Mission	
12	National Mission on Sustainable Agriculture	
13	National Oilseed and Oil Palm Mission	
14	National Mission on Agriculture Extension and Technology	
15	Rashtriya Krishi Vikas Yojana (RKVY) (ACA)	
16	National Livestock Management Programme	9. Rashtriya Pashudhan Vikas Yojana + Fisheries
17	National Livestock Health and Disease Control Programme	
18	National Plan for Dairy Development	
19	National Rural Drinking Water Programme	10. Swachh Bharat Abhiyan (Grameen) 11. National Drinking Water Mission
20	Nirmal Bharat Abhiyan	
21	National River Conservation Programme (NRCP)	12. Environment, Forestry & Wildlife
22	National Afforestation Programme (National Mission for a Green India)	
23	Conservation of Natural Resources and Ecosystems	
24	Integrated Development of Wild Life Habitats	
25	Project Tiger	
6	National Health Mission including NRHM	13. National Health Mission

27	Human Resource in Health and Medical Education	including AYUSH, NACO and Medical Research
28	National Mission on Ayush including Mission on Medicinal Plants	
29	National AIDS & STD Control Programme	
30	Border Area Development Programme (BADP) (ACA) (MHA/M/o Finance)	14. Border Area Development Programme
31	National Urban Livelihood Mission	15. National Livelihood Mission – Rural 16. National Livelihood Mission - Urban
32	National Rural Livelihood Mission (NRLM)	
33	Rajiv Awas Yojana including JNNURM part of MoHUPA	17. Housing for All- Rural (RD) 18. Housing for All- Urban (HUPA)
34	Indira Awaas Yojana (IAY)	
35	Sarva Siksha Abhiyan	19. National Education Mission
36	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	
37	Support for Educational Development including Teachers Training & Adult Education	
38	Rashtriya Uchhtar Shiksha Abhiyan	
39	Scheme for providing education to Madrasas, Minorities and Disabled	
40	National Service Scheme	20. National Service Scheme
41	National Programme Nutritional Support to Primary Education (MDM)	21. Mid Day Meal Programme
42	Integrated Child Development Services (ICDS)	22. Integrated Child Development Scheme and related programmes like maternity benefits, Sabla, KSY etc.
43	Integrated Child Protection Scheme (ICPS)	23. Integrated Child Protection Scheme
44	Development of Infrastructure Facilities for Judiciary including Gram Nyayalayas	24. Infrastructure Facilities for Judiciary
45	Pradhan Mantri Gram Sadak Yojana (PMGSY)	25. Pradhan Mantri Gram Sadak Yojana
46	Integrated Watershed Management Programme (IWMP)	26. Pradhan Mantri Krishi Sinchai Yojana
47	Accelerated Irrigation Benefit & Flood Management Programme (merging AIBP and other programmes of water resources such as CAD, EMP etc.) (ACA) + DAC	
48	Jawaharlal Nehru National Urban Renewal Mission (JNNURM) (ACA)	27. Atal Mission for Rejuvenation and Urban Transformation (AMRUT) 28. Swachh Bharat Abhiyan Shahari 29. Smart Cities Mission
49	National Mission for Empowerment of Women including Indira Gandhi Mattritav Sahyog Yojana	Transferred to Central Sector and

		IGMSY made a sub-scheme of ICDS
50	Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (SABLA)	To be implemented through ICDS machinery
51	National Land Record Modernisation Programme	To be transferred to Central Sector (Digital India Initiatives)
52	Assistance to States for Infrastructure Development for Exports (ASIDE)	Delinked from Union Support
53	Backward Regions Grant Fund (District Component (ACA)	Delinked from Union Support
54	Rajiv Gandhi Panchayat Sashastrikan Yojana	Delinked from Union Support
55	Backward Regions Grant Fund (BRGF) (State Component)	Delinked from Union Support.
56	National Scheme for Modernization of Police and other forces	Delinked from Union Support.
57	Scheme for setting up of 6000 Model Schools at Block level as Benchmark of Excellence	Delinked from Union Support
58	National E-Governance Action Plan (NeGAP) (ACA)	Transferred to Central Sector (as part of Digital India)
59	Social Security for Unorganized Workers including Rashtriya Swasthya Bima Yojana	Transferred to Central Sector
60	Skill Development Mission	Transferred to Central Sector
61	Support for Statistical Strengthening	Transferred to Central sector
62	National Handloom Development Programme	Transferred to Central Sector
63	Catalytic Development programme under Sericulture	Transferred to Central Sector
64	Infrastructure Development for Destinations and Circuits	Transferred to Central Sector
65	National Mission on Food Processing	Transferred to Central Sector
66	Yuva Krida aur Khel Abhiyan (PYKKA)	To be transferred to Central Sector

of the above, as stated above, following would be core of the core scheme for which no change in the funding pattern is recommended:

4.15 The categorisation made above is illustrative. It is for the Government of India to operationalize this consolidation. It is recommended that officers from States and NITI Aayog may assist the proposed consolidation of Schemes.

4.16: Since many States recommended that the Schemes for Police Modernisation and Backward Region Grant Fund (BRGF) which have been

discontinued as CSS should be restored, the Sub-Group recommends that Ministry of Home Affairs may review the existing arrangement regarding police modernisation, law and order apparatus including executive magistracy and justice delivery system, coastline and coastal protection in the country and recommend a new comprehensive scheme in this regard to be implemented until 2022. As regards the State component of BRGF, NITI Aayog and Ministry of Finance may review the scheme and recommend area based interventions in some of the States as Special State Specific Packages.

Recommendation 3: Budgeting Core and Optional schemes

Transparent criteria for inter-State allocation

4.17 Presently, there are no transparent criteria for inter-State allocations in CSS. In this regard, the Sub-Group recommends that Niti Aayog in consultation with State and Central Ministries would evolve transparent criteria based on the development needs, population, potential of the State in that sector, special needs of NE and Himalayan States etc. The first such exercise may be taken up after the completion of the 12th Plan.

4.18 Funds available for CSS should be divided by the Ministry of Finance in two broad categories: Funds for Core Schemes and Funds for Optional schemes. Funds for Core Schemes may be allocated amongst the Schemes in the Demand for Grants of Central Line Ministries by the Ministry of Finance. Since the participation of the States in Core Schemes would be compulsory, the allocation to a State could be further made by the concerned Line Ministries based on transparent criteria (referred in para 4.17 above).

4.19.1 The allocation for Optional Schemes should be by Ministry of Finance, Government of India to States in a lump sum in advance, also on the basis of transparent criteria. The States would indicate as to which of the Optional Schemes they would be implementing for the next 5-7 years and the quantum of funds to be allocated to them for this purpose. The States would indicate their preferred distribution of funds strictly within the allocation indicated by the Ministry of Finance. In this way the choice to participate in Optional schemes would in no way affect the overall allocation of States.

4.19.2 If any state doesn't wish to participate in any particular optional scheme, then the central share earmarked for that particular scheme may be permitted to be used as additional central share in any other CSS within the overall budgetary allocation for the state under CSS component of Central Assistance to State Plans(CASP).

4.20 Since the Scheme-wise funds need to be firmed up by January for the following Financial Year, to facilitate the budget making process, it is recommended that Ministry of Finance could rely on the previous year's allocation and indicate the tentative availability of funds by November each year to the States.

4.21 States should convey their desired distribution of funds to NITI Aayog by December of each year. NITI Aayog would consolidate the requests from all States and recommend a tentative allocation for Optional Schemes to Ministry of Finance by January of each year. The Sub-Group further recommends that in case an Optional Scheme receives overall request from less than 5 States or of less than Rs. 200 cr, the Scheme may be reviewed by a Committee of Secretaries comprising CEO/NITI Aayog, Ministry of Finance and Concerned Secretary of the Line Ministry, and selected State representatives, and any of the following actions may be taken:

- (a) Scheme may be modified to improve its acceptance or,
- (b) Scheme may be discontinued altogether or,
- (c) Scheme may be removed from the Optional Schemes and shifted to Central Sector in the few states where it is deemed necessary by the Union Government or,
- (d) Scheme may be continued notwithstanding response from only a few States.

4.22 The Sub-Group is also of the view that since its recommendations regarding allowing the States choice among the Optional Schemes, subject to an indicative allocation is an innovation which has not been tried earlier, **this arrangement may be reviewed after two years of its operation and depending on ease of its implementation, the same option of indicating preferred allocation in Core Schemes** may also be introduced subject to following conditions:

- (a) All States have to participate in all the Core Schemes; and
- (b) Ministry of Finance may indicate a minimum allocation in all Core Schemes for every State.

Recommendation 4: Funding pattern

4.23 The Sub-Group notes that there are multiple objectives to be met by means of the deciding funding pattern in a Scheme. Some of these are as follows:

- (a) While the Government of India has accepted the recommendations of the 14th FC in increasing the devolution to States, the same should not be taken away by mandating a larger State share in funding in the National Development Agenda.

(b) UTs have stated that since the devolution of FC grant is not applicable to them, the funding pattern should not be varied to their disadvantage.

(c) Funding pattern should be determined for a State on the basis of distance of the key human development indicators or the per capita State GDP from the national average.

(d) While deciding the funding pattern, it should be ensured that better performing States should not be dis-incentivised.

(e) Himalayan States and NE States have stated that it is difficult to mobilise their share even on the existing pattern. This is likely to be further exacerbated due to discontinuation of Block Grants and hence funding pattern in a Scheme should be either 100% by Centre or at the very least the existing pattern (90:10) should continue.

(f) Over the years, the nature of the Scheme has undergone major changes. Success in a scheme like Integrated Child Development Services, National Health Mission, Sarva Shiksha Abhiyan etc. depends on the continuation of a large number of resource personnel engaged on the basis of norms prescribed by the Line Ministry in Government of India. Payment of salary/honoraria to these personnel imposes heavy costs especially as then numbers are fixed on the basis of national norms.

4.24 The Sub-Group recommends that:

- A). There should be no CSS with less than 50% share from the Central Government.

- B) For all Schemes, the proposed funding pattern should be implemented from the current Financial Year itself i.e. FY 2015-16.**
- C) For Core of the Core Schemes of Social Inclusion (refer para 4.11.1 and 2.13 of the Report), **no change in funding pattern is recommended. The illustrative but not exhaustive list of these schemes is provided in as under:**

Table VI: MGNREGA and Schemes for Social protection

Sl. No.	Scheme
1	MGNREGA
2.	National Social Assistance Programme
3	National Programme for persons with disabilities
4	CSS components of Scheme for development of scheduled caste
5	Umbrella Scheme for education of ST children
6	For Minorities: (has schemes in both CSS and CS) CSS: 1. Multi Sector Development Programme for Minorities- CSS (Rs. 1244 cr) 2. Scheme for providing education to Madrasas/Minorities – CSS (Rs. 375 cr)
7.	Welfare of other Backward classes

- D) For 8 North Eastern and Himalayan States of Himachal Pradesh, J&K and Uttarakhand (11 States) :

Core Sector Schemes: Centre 90%: State 10%.

- i) Optional Schemes: Centre 80%: State 20% (however, schemes presently having Centre's share below 80% would remain at the same level)

- E) For Other States :

- i) Core Sector Schemes: Centre 60%: State 40% (however, schemes presently having Centre's share below 60% would remain at the same level)

ii) Optional Schemes: Centre 50%: State 50%.

F) For Union Territories: 100% Central Funding through NITI/Ministry of Finance. Non Plan transfers to UT may continue with Ministry of Home Affairs Budget.

4.25 Salary / Honoraria component under CSS: ASHA, Aanganwadi, contract teachers under SSA etc.:

In all such Schemes where there are remuneration/salary components, the funding pattern for **salary/remuneration components** should not be modified to the disadvantage of the States until the completion of the 12th Plan (2016-17). This recommendation is made subject to the following:

- i) The funding in existing Schemes where salary component is borne by the State Government would continue to be borne by the State, i.e. no change is recommended.
- ii) Where the salary/remuneration is paid under the Scheme, the Centre's allocation share would remain capped at the current level. **Hence any upward revision of remuneration or additional hiring may be made only with the States own resources.**
- iii) The Central Ministries may review the extant guidelines in the Schemes to enable States to have the flexibility in norms and guidelines to take an appropriate decision on hiring personnel in any Scheme.

Recommendation 5: Cost norms

4.26 Rationalisation of cost norms in a scheme, wherever applicable, has emerged as a major concern of the States. The Sub-Group is of the view that either cost norms should be inflation indexed and they take into account the prevailing different cost in different States **or** flexibility be given to a State to adjust cost norms in a Scheme across various components, subject to an overall allocation and mutually agreed outcomes.

4.27 In this regard, the Sub-Group recommends that in construction based schemes, States may be allowed to decide cost norms on the basis of Schedule of Rates applicable to the concerned States. Flexibility in cost norms may also be introduced in non-construction based schemes, wherever possible, subject to the condition that such flexibility would not create any entitlements for an increased allocation in a Scheme.

Recommendation 6: Flexibility and Flexi-funds

4.28 The Sub-Group supports the Central Ministries and State Governments who have unanimously preferred the model flexibility as available in the Rashtriya Krishi Vikaas Yojana (RKVY) and recommends that flexibility in choice of components, design and implementation be provided on this model for all Core and Optional Schemes.

Box: 1: Design of RKVY

National Development Council (NDC), in its meeting held on 29th May, 2007 resolved to initiate Rashtriya Krishi Vikas Yojana (RKVY) to encourage States to draw up District and State agricultural plans and also increase their own spending on the sector so as to reorient agricultural development strategies for rejuvenating Indian agriculture during the Eleventh Plan (2007-12).

The design of RKVY was an innovation in giving the States flexibility in choosing **activities** to be funded to suit their requirements. The States have been given complete flexibility for formulation of project, scrutiny and approval. The Projects under RKVY are prepared by the Departments concerned, preferably based on the gaps identified in State Agricultural Plans, scrutinised by a Committee under Agricultural Production Commissioner/Principal Secretary (Agriculture) in the State Governments. The approval of the projects is done by the State Level Sanctioning Committee (SLSC) under the chairmanship of Chief Secretary with members from various departments of the State and representatives from Ministry of Agriculture and NITI (earlier Planning Commission). The allocation of resources to a State in RKVY is formula driven based on objective and predefined criteria.

RKVY is preferred by States for its inbuilt flexibility in selecting interventions and setting State specific targets. One objective of RKVY during 11th Five Year Plan was incentivising States to increase expenditure on agriculture and allied sectors. State plan expenditures (excluding RKVY receipts) as percentage of GDP in agricultural and allied increased from 1.0% in 10th plan to 1.4% in the 11th plan. State plan expenditures on Agriculture and Allied Sectors (excluding RKVY) have also increased as percentage total plan spending by States, from about 5% during 10th plan to over 6% during 11th plan. RKVY was therefore successful in motivating States to pay greater attention to agriculture, besides providing increased Central assistance for the sector.

4.29 The Sub-Group notes that the flexi-fund method of providing flexibility has already been introduced during the last restructuring of CSS in June 2013 which mandated to keep at least 10% of allocation in schemes in a

year as Flexi-Fund. The Sub-Group also notes that for operationalising the same, Department of Expenditure, Ministry of Finance has issued guidelines (Annexure -VIII).

In this background, the Sub-Group recommends that Flexi-Funds in each Scheme should be 25% (twenty five percent) of allocation in each financial year, to be made available to every State.

Recommendation 7: Release of funds

4.30 There is consensus among States that the procedure for release of funds from the Centre to the States should be streamlined. The present system is process - ridden and, as a result, funds are often released towards the end of the financial year when they cannot be utilised effectively. The Sub-Group further notes that some of the North Eastern and Himalayan States have pointed out that the working season in their States is very short and, as a result, fund utilisation remains sub-optimal.

4.31 The Sub-Group is of the view that any procedure for release of funds should be simple, on one hand and on the other should also be in accordance with a robust policy of cash management at the Centre and the States.

4.32 The Sub-Group notes that a majority of States have requested that funds should be released twice in a year, preferably in April and November December; and while releasing the second instalment of funds Utilisation Certificate (UC) of the previous instalment should not be insisted upon. Rather UCs of the instalment prior to the last one could be made a basis for release in the current year. Moreover, all funds should be released before

January in a financial year and further, that while releasing funds, the Centre should have regard to the short working seasons in some States and prioritise releases to them in time.

4.33 The Sub-Group finds merit in the suggestion that release of an instalment should not be predicated on producing Utilisation Certificates of the last instalment and recommends that release should be based on the UC furnished of the last to last instalment. This approach will provide adequate flexibility to State without compromising the principles of financial prudence.

4.34 Therefore, the Sub-Group further recommends that:

(i) Centre may adopt a pre-authorisation based approach and its should gradually move towards 'just-in-time' releases of cash whereby funds may be **authorised** to a State in a CSS on financial year basis but the cash is released automatically on quarterly basis.

(ii) The extant procedure of funds released from the Consolidated Fund of India to Consolidated Fund of States should be continued.

(iii) The extant procedure that mandates immediate release of funds from State Treasuries to implementing agencies failing which penal rate to be imposed should be abolished. It is the responsibility of the State to manage the sub-State bodies and secondly, in actual practice, there is a tendency among many of the implementing agencies to park funds in bank accounts which needs to be discouraged.

(iv) Tracking of expenditure is important as a monitoring tool. Hence, within two years, the Central Public Financial Management System (PFMS)

should be suitably integrated to the State Treasuries. However, such integration should not be a condition precedent for release of funds to States.

(v) Once the uncertainty regarding availability and release of funds is addressed on the basis of transparent State wise allocation in a Scheme and issue of yearly authorisation as well as quarterly release, it is expected that the State would automatically get incentivized and encouraged to mobilise their own shares in anticipation of releases of Central assistance so that the projects/activities are implemented smoothly.

(vi) States which are in a comfortable cash position may fund the activities/projects through their own funds and seek Central assistance as reimbursement. The Sub-Group is of the view that this arrangement would help in meeting the objective of transiting towards 'just in time' release of funds which would address the problem of parking of funds.

Recommendation 8: Local Body grants

4.36 The Sub-Group notes that the 14th FC has recommended following grants to the local bodies:

Table VII: Grants to Local Bodies

(in Rs. cr)

Local Body	Grant		
	Basic	Performance	Total
Panchayats	1,80,263	20,029	2,00,292
Urban Local Bodies	69,715	17,429	87,144
Total	2,49,978	37,458	2,87,436

4.37 The Sub-Group further notes that while the FFC recommendations on increased devolution have been accepted, the Union has **not** accepted the recommendations to transfer all CSS to States. The Sub- Group further notes that there was a strong consensus in favour of providing more funds for drinking water, sanitation, drainage, local roads, school buildings, solid waste management, street lighting, maintenance of burial and cremation grounds and parks.

4.38 The Sub-Group recommends that in respect of releases to Local Bodies from Government of India, suitable advisories relating to prioritization for development expenditure could be issued by State governments with respect to Schemes/sectors in the National Development Agenda especially relating to basic services under relevant legislations so that they are encouraged to undertake meaningful activities out of the substantial funds that will devolve on them with effect from 2015-16.

Recommendation 9: Incomplete Projects

4.39 The Sub-Group has received large number of inputs from States that due to sudden discontinuation of Schemes, arrangement for funds for incomplete projects may be made so that benefit of these projects are available to people, and huge amount of expenditure incurred so far does not become infructuous.

4.40 After careful consideration of the issues involved, the Sub-Group recommends that have been awarded till 31 March 2015, funding should continue and the sharing pattern under which the project was approved should continue till March 2017. If the projects remain incomplete even thereafter, States would have to complete the projects using their own funds

Recommendation 10 : Institutional arrangement

4.41 During its deliberations, the Sub- Group received numerous suggestions regarding creation of appropriate institutional arrangements at the Centre and State levels to ensure better implementation. The Sub-Group notes that three major suggestions were made:

- (a) As NITI Aayog has replaced the erstwhile Planning Commission and is mandated to strengthen cooperative federalism it should create an appropriate platform for the States and the Centre for mutual interaction in a problem solving mode.
- (b) NITI Aayog should take up monitoring and independent evaluation of important Schemes especially as there is a need to transit from monitoring expenditure to monitoring outcomes.

4.42 In this regard, the Sub-Group recommends that

- i. Every State/UT must nominate a senior government functionary as nodal officer, preferably Principal Secretary Finance /Planning to a Standing Committee under the chairpersonship of CEO NITI Aayog for ensuring smooth implementation of schemes.
- ii. This Committee should meet at least twice in a year. The first meeting should be held immediately after the finalisation of the Union budget and the second meeting should be held in November/December.
- iii. In this Committee, there should be suitable representation from Ministry of Finance, Government of India. Similarly, representatives from Central Ministries may be co-opted as and when required.

- iv. The deliberations of the Committee must be guided by an approach that focuses on problem solving, advocacy and handholding on behalf of the States as well as providing a forum for sharing and dissemination of best practices.
- v. This arrangement should be without prejudice to the responsibility cast upon Central Ministries to monitor the implementation of Schemes relating to their Ministry.

Recommendation 11: Evaluation

4.43 NITI Aayog should undertake independent evaluation of major Centrally Sponsored Schemes from time to time. It is also recommended that evaluation undertaken by State Government agencies should also be collated by NITI Aayog. The evaluations may be placed before the NITI Aayog Governing Council for consideration.

Recommendation 12: Arrangements for UTs

4.44 The Sub-Group notes that out of the 7 Union Territories (UTs), two UTs, viz. the National Capital Territory of Delhi and Puducherry have their own legislatures and Council of Ministers headed by the Chief Minister to discharge the duties/functions enjoined upon them by the Constitution of India. They have their own Consolidated Funds.

4.45 The Sub-Group further notes that all other Union Territories are directly administered by the President of India through the Administrators/Lt. Governor and do not have legislatures or their own Consolidated Fund. Whatever revenue is earned by such UTs is credited in the Consolidated Fund of India. The budgets of

the UTs (without Legislature) is funded 100% by the Central Government which forms part of the budget of Ministry of Home Affairs.

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4.46 The Sub-Group further notes that all UTs are not entitled to the devolution of taxes, as UTs are not covered under the Terms of Reference of the Finance Commission. Hence, meeting their requirement for development expenditures is the responsibility of the Central Government/Ministry of Finance/Line Ministries.

4.47 The Sub-Group is of the view that while the aforesaid divergent procedures amongst the UTs is a challenge in implementing Centrally Sponsored Schemes. The Sub-Group notes that like States, UT Administrations have the responsibility to provide infrastructure and basic services to its citizens. All these UTs are endowed with unique strengths of their own and have the potential to become models of excellence. The approach of the Centre should be to build on the strength of these UTs to ensure that they become integrated into the national effort to realise VISION 2022. Hence all Core and optional Schemes should be implemented in all UTs as well.

4.48 The Sub – Group further notes that there are huge variations amongst the UTs, in terms of locational, geographical, demographic and socio-economic conditions. There is also wide variation in the resources/ revenue generation amongst the UT: as shown in Table XI

Table XI: Size, Population and Revenue Receipt of UTs

Union Territory	Area (in Sq. Km)	Population	Revenue Receipt (2015-16) Budget Estimates in Rs. cr)
Delhi	1484	1,10,07,835	30000
Pondicherry	492	12,44,464	3800
Chandigarh	114	10,54,686	2855
Andaman & Nicobar Islands	8249	3,79,944	335

Dadra and Nagar Haveli	487	3,42,853	719
Daman and Diu	102	2,42,911	771
Lakshadweep	32	64,429	60

4.49 The Sub-Group further notes that UTs like Andaman & Nicobar Islands and Lakshadweep suffer from constraints/disadvantages like distance from mainland, lack of connectivity between mainland and Islands as well as amongst the Islands, ecological concerns, rigorous environmental laws, relatively small market, absence of entrepreneurial opportunities, lack of industry and employment opportunities etc. Accordingly, these two UTs are funded 100% by the Ministry of Home Affairs. Central funding in the case of other UTs, varies, depending upon availability/generation of their internal resources and their requirements.

4.50 The Sub-Group notes that currently, UTs are implementing a very large number of CSS with low budgetary outlays in individual Schemes resulting in low visibility and impact. The Sub-Group notes that as per current arrangement, funds for CSS flows directly to UTs either by bank transfer or through Treasury from the Line Ministries, concerned.

Table XII: Centrally Sponsored Schemes in UTs

UTs	Number of CSS implemented in 2014-15	Central Assistance BE CSS 2014-15	Central Assistance Actual/RE 2014-15	Receipt as percent of BE in CSS	Funds contribution by UTs
(1)	(2)	(3)	(4)	(5)	
UTs with legislature					
Delhi	35	1000.00	599.65	60.00	191.84(24.24% of total expenditure)
Puducherry	52	525.39	154.93	29.50	182.83(54% of total expenditure)
UTs without legislature					
Chandigarh	44	211.61	305.92	144.56	80.04

A&N Islands	44	55.05	54.94	99.80	
Dadra and Nagar Haveli	31	110.90	56.78	51.20	
Daman and Diu	53	44.74	23.01	51.43	
Lakshadweep	19	16.70	7.86	47.06	Rs 2.13
Total					

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4.51 After careful consideration, **the Sub-Group recommends that**

The transfer of funds to UTs for non-plan and non-development purposes is administered through the Demand for Grants of the Ministry of Home Affairs (MHA). The existing arrangements may be retained. Funds for development purposes both for Central Sector and Schemes under the National Development Agenda must, however, be allocated UT-wise, on the basis of consultation with UTs and NITI Aayog by Ministry of Finance. Instead of implementing a large number of schemes, UTs may be given flexibility in choosing the sectors in which they have identified potential and would benefit from the concerted interventions. This may be operationalised as follows:

- Every year, based on the current year's allocation, by November/December, a tentative allocation of funds for each of the UTs may be decided by Ministry of Finance in consultation with NITI Aayog.
- NITI Aayog communicates the same to the Budget Division of Ministry of Finance by January of each year.
- Once the budget is finalized, the allocation for UTs for development purposes be budgeted in the Demand for Grants of Ministry of Home Affairs/Ministry of Finance.
- In case the extant guideline of a Scheme is such that it prevents in smooth implementation of a scheme, the concerned UT may suggest suitable relaxation in guidelines of the particular Scheme to the Standing Committee

under the chairperson ship of CEO NITI Aayog and concerned Line Ministries/Ministry of Finance as members, who may make appropriate changes within the overall allocations.

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4.52 All Core and Optional Schemes should be funded 100% by Centre in all UTs.

4.53 All other arrangements like release of funds, monitoring and evaluation etc. as recommended in the Report would be *mutatis mutandis* applicable to UTs except for following:

4.54 The flexi-fund in a Scheme for a UT would be 30% of the total allocation instead of 25% recommended for States.

4.55 The Sub-Group notes that in many sectors which a UT may select for intervention, there may be Central Sector schemes as well. Hence it recommends that for better synergy between Central sector and Centrally Sponsored Schemes, if required, UTs in consultation with NITI Aayog may also recommend restructuring of Central sector initiatives if required, in the selected sectors for better synergy with CSS.

Recommendation 13: Review of recommendations

While the Sub-Group is confident that implementation of recommendation made by it would serve the country well at least till 2022, ie. the year, India attains 75th year of Independence, it recommends that after two years or any other suitable period, the actual working of the recommendations may be reviewed for desired course correction in the spirit of cooperative federalism

Recommendation 14: Larger development related Issues raised by State Governments:

In course of deliberations, States raised many issues related to their development needs. In Annexure-XIII, these issues have been listed. Without specifically getting

into the merits of these observations and suggestions, the Sub - Group recommends that the Union Government may get the issues listed therein suitably examined for taking appropriate measures.

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Annexure-I

National Institution for Transforming India
(Plan Coordination and Management Division)

NITI Aayog, New Delhi
9th March 2015

ORDER

Sub: Constitution of a Sub-Group of Chief Ministers on rationalisation of Centrally Sponsored Schemes.

In pursuance of decision taken in the first meeting of the Governing Council of NITI Aayog, held on February 8, 2015, a Sub-Group of Chief Ministers is hereby constituted to examine the current CSS and recommend their suitable rationalisation.

2. The Composition of the Sub-Group is as under

The composition of the Sub-Group is as follows:

- | | |
|--------------------------------------|--------------|
| a) Chief Minister , Madhya Pradesh | : Convener |
| b) Chief Minister, Arunachal Pradesh | : Member |
| c) Chief Minister, Jammu & Kashmir | : Member |
| d) Chief Minister, Jharkhand | : Member |
| e) Chief Minister, Kerala | : Member |
| f) Chief Minister Manipur | : Member |
| g) Chief Minister, Nagaland | : Member |
| h) CM Chief Minister, Rajasthan | : Member |
| i) Chief Minister, Telangana | : Member |
| j) Chief Minister, Uttar Pradesh | : Member |
| k) Lt. Governor, A& N Islands | : Member |
| l) CEO, NITI Aayog | :Coordinator |

The Sub-Group would be serviced by NITI Aayog.

3. Terms of Reference of the Sub-Group will be as follows:

(i) To examine the existing CSSs and recommend measures for ensuring that their implementation is streamlined and adequately flexible;

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(ii) In light of the Finance Commission recommendations, the increased devolution of taxes to States and the higher revenue deficit grants to suggest reforms of the schemes which are being continued under CSS;

(iii) To recommend appropriate measures for coordination between the Centre and the States and among the States for achieving the objectives of the schemes;

(iv) Any other measures related to the schemes to strengthen the national development agenda and ensure outcomes.

4. General

- a) Since the Governing Council had desired this to be a Sub-Group of CMs, it is clarified that no other person is expected to represent the Members in case the concerned CM is unable to attend the deliberations. However, the Convener may co-opt any other official/non-official expert/representative of any organisation to assist the Sub-Group.
- b) The expenditure on TA/DA in connection with the meeting of the sub-group in respect of a Member or any co-opted official will be borne by the respective States/ Department. However, in case of co-opted non-official persons, they will be entitled for TA/DA as admissible to Grade-I Officials of the Government of India limited to economy class in case of air journey where applicable and the expenditure in this regard would be met by the NITI Aayog.
- c) The Sub-Group will submit its report within three months of its notification.

This issues with the approval of the Prime Minister and Chairman NITI.

Sd/-

(Sindhushree Khullar)
CEO (NITI)

To,

Convener and all members of the Sub-Group

Copy also for information to:

1. All Members of the Governing Council of NITI Aayog
2. Principal Secretary to the Prime Minister of India

3. PS to the Prime Minister of India
4. Vice Chairman and Full Time Members of NITI Aayog

Annexure-II

National Institution for Transforming India
(Secretariat for Governing Council)

Main features of rationalisation of CSS in June 2013

- In June 2013, Government of India rationalised CSS as follows:
 - (a) To reduce the then existing 142 CSS/Additional Central Assistance Schemes in the Twelfth Five-Year Plan into 66 Schemes, including 17 Flagship Programmes to improve their impact and visibility.
 - (b) To designate, 17 schemes out of the 66 Schemes, in critical areas like agriculture, drinking water and sanitation, irrigation, education, health, nutrition and child development, rural roads, pensions, urban development etc. which have significant outlays as Flagship Programmes
 - (c) To Keep at least 10% of the outlay of each CSS/ACA/Flagship Scheme as Flexi funds
 - (d) To formulate state specific guidelines for each CSS/ACA/Flagship scheme and constitution of an Inter-Ministerial Committee comprising Ministry of Finance, Planning Commission, the Administrative Ministry and the State Government to consider suggestions from the States in this regard.
 - (e) To classify and budget all Plan schemes under which Central Assistance is provided to the States together as Central Assistance to State Plans with effect from 2014-15 (BE) onwards.
 - (f) To place the funds for all CSS/ACA schemes with the Administrative Ministries and transfer CSS/ACA funds to the States through the Consolidated Fund of the States* concerned. This mode of transfer to be implemented in a phased manner in BE 2014- 2015.

Annexure-III

National Institution for Transforming India
(Secretariat for Governing Council)

Record of the Deliberations by the Sub-Group

- a) **Consultation with Ministry of Finance on March 23, 2015**: As the fiscal space for Central Assistance to the State Plan including desired scope and fund available for CSS with the Union has undergone a major change due to acceptance of 14th FC award, the Convener of the Sub-Group, Shri Shivraj Singh Chauhan, the Hon'ble CM of Madhya Pradesh held a detailed briefing on March 23, 2015 with Secretaries of Ministry of Finance, Department of Expenditure, CEO/Niti Aayog and other senior officers.
- b) **First meeting of the Sub-Group (27th March, 2015)**: The first meeting of the Sub-Group was held on March 27, 2015 at NITI Aayog, New Delhi under Convenership of CM, Madhya Pradesh. Minutes of the meeting are placed at **Annexure-IV**. The meeting decided as follows:-
1. To constitute an officer's level Working Group under CEO, NITI comprising of Union Central Ministries (dealing with Flagship Programmes) and a nodal officer of each member of the Sub-Group to prepare a draft note.

2. It was also decided to undertake an extensive consultation with selected Central Ministries in respect of major Flagship programmes/CSS implemented by them.

2.2 Accordingly, an officer's level Working Group was constituted. Relevant notification is placed at **Annexure-X**.

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c) Consultation with Central Ministries implementing important CSS: Centrally Sponsored Schemes are designed by the central ministries. In view of this, the Convener of the Sub- Group held a detailed consultation on April 16, 2015 in NITI Aayog with Secretaries/senior officials on following flagship programmes of Central Ministries:

Programme/themes	Central Ministries/Deptt concerned
Presentation on flagship CSS <i>(Schemes: RKVY; AIBP & Sinchai Yojana, IWMP, MGNREGA, PMGSY, IAY; new programmes</i>	<ul style="list-style-type: none"> • Agriculture and Cooperation • Agriculture Research and Education • Animal Husbandry • Water Resources • Land Resources • Rural Development
Swachh Bharat Mission <i>(Schemes: NBA-now Swachh Mission (2014-15 and 15-16) urban Swachh component,)</i>	<ul style="list-style-type: none"> • Drinking Water and Sanitation • Urban Development
Presentation on important CSS <i>(Schemes SSA, MDM, ICDS, NHM, of</i>	<ul style="list-style-type: none"> • School education and Literacy • WCD • Health and Family Welfare

Minutes of the meeting without presentations are placed at Annexure-XII.

D) Second meeting of the Sub-Group (April 27, 2015): The second meeting of the Sub-Group was held on 27th April, 2015 under the Convenership of Hon'ble Chief Minister, Madhya Pradesh at NITI Aayog, New Delhi. The minutes of the meeting are placed at

Annexure-V. This meeting noted that a group of officers under the chairpersonship of CEO, NITI Aayog had identified the issues involved in rationalisation of Centrally Sponsored Schemes and have also tabulated the suggestions received so far from the states. In this meeting after deliberations, following issues were decided:-

- CEO, NITI Aayog may hold Regional Consultation Sessions with officials of Non-Member States and complete this exercise by May, 2015.

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- To prepare a draft report of the Sub- Group by 25th May, 2015.
- The next meeting of the Sub Group will be held on 28th May, 2015 in Bhopal. The meeting would consider the draft report prepared by the Group of officials. For finalization of the recommendations , if need be, another meeting may be held thereafter.

E) Briefing of the Convener along with CM, Rajasthan on issues raised by Rajasthan on 14th FC devolution: On May 15, 2015, a briefing meeting was organised at NITI Aayog, New Delhi, in which issues pertaining to Rajasthan were discussed. In this meeting, representatives of Department of Expenditure and of Department of Economic Affairs briefed the Convener of the Sub-Group i.e. Hon'ble CM of Madhya Pradesh and Hon'ble CM, Rajasthan on the queries raised by Rajasthan Government.

F). Consultations with States/UTs not represented by their CM /LG in the Sub-Group: It was also decided by the Convener, after consultation with the Prime Minister that since provisioning for CSS impacts the State Plan significantly, for finalization of the recommendations, official level consultations must also be held with States which are not represented by their respective Chief Ministers in the Sub-Group. CEO/NITI Aayog was requested by the Convener to undertake such consultations.

Out of 29 States and 7 UTs in India, 10 States and UT of A&N islands are represented by their respective CM/LG in the group. Of the balance 19 States and 6 UTs, the regional consultations were held as follows:

- i) **Preliminary discussion at officer's level on April 13, 2015:** CEO NITI Aayog convened a meeting of the officials of 19 States Governments, who are not represented in the Sub-Group on April 13, 2015 at NITI Aayog.
- ii) **ii) Regional Consultations at official level:** As requested by the Convener, CEO/NITI Aayog undertook regional consultations with States/UTs not represented by their CMs/LGs in the meeting as follows:

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Date	Place	States Invited
12 th May, 2015	Kolkata	Bihar, Odisha, Sikkim, Tripura, Assam, Mizoram, West Bengal (Sikkim, Tripura and Mizoram couldn't attend)
19 th May Chandigarh	Chandigarh	Himachal Pradesh, Punjab, Haryana, Uttarakhand and Meghalaya
26 th May, 2015	Delhi	UTs with legislature: Delhi and Puducherry and without legislature- Chandigarh, Dadra and Nagar Haveli, Daman & Diu, Lakshadweep
June 1, 2015	Hyderabad	Andhra Pradesh, Chhattisgarh, Gujarat, Goa, Karnataka, Maharashtra and Tamil Nadu

Inputs received from non-member states and UTs are placed at Annex-XI of the Report.

Framing of issues in rationalisation of CSS

2.3 In accordance with the Terms of Reference of this Group (para 1.11 refers), the Working Group of Officers (referred in para 2.2 above), chaired by CEO NITI Aayog framed key issues on which views of the State Governments are required .

Broadly these issues are as follows:

A) Number of CSS: Key issues to be decided are:

- What should be the number of CSS to be implemented?
- There were 17 flagship schemes in 2014-15 out of a total of 66 CSS. Flagship schemes were defined as large schemes with central outlays of more than Rs.1000 crore. Flagship schemes are not necessarily 'core' schemes. Should the concept of flagship scheme be retained? If yes, which schemes may be considered as flagship schemes?
- Should the number of remaining CSS schemes be pruned, or a large number retained so that States have greater flexibility in choosing between the schemes to implement?

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B) **Funding pattern of CSS:**

- In light of the higher devolution to States as per the 14th FC award, what should be the Centre and State share in a CSS?
- As the fiscal space with State Governments have expanded post 14th FC devolution, what should be the mechanism to ensure adequate expenditure by State Governments in schemes crucial for national development agenda?
- Expenditure under major flagship schemes are in the nature of revenue expenditure. Besides, for assets created under the scheme, adequate mechanism for provision for Operation and maintenance are needed. Given the limited fiscal space available with Central Government, what mechanism may be recommended to ensure that such expenditures are met by the State Governments?
- Should there be a scheme specific funding pattern, with Government of India funding the capital component and State funding the revenue/recurring expenditure?
- Should there be uniform funding pattern across all States?
- Should the central funding pattern of CSS schemes be simplified by limiting the categories to just 3, such as 90:10,70:30 and 50:50?
- Should there be uniform funding pattern across all schemes?
- Should the scheme be implemented as 'Umbrella Scheme' with varying funding pattern for different components? Or should each component in a particular 'Umbrella' have the same funding pattern?
- Should there be any CSS in which Central component is less than 50%?

C) What measures may be recommended for imparting flexibility of implementation in CSS and improving their design?

- Should States be given the flexibility to select, as to which non-core/non-flagship CSS they would like to implement within overall state-wise budgetary limits set by the Centre?
- Should States be given the flexibility to design CSS schemes suitable to their States subject to approval of GOI/Niti Ayog?

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- Should there be a MoU between Centre and State on outcomes in a scheme? Should the allocation in a scheme for a State be linked to the outcomes of the previous year? Or should allocation to states be based on a transparent formula worked out by concerned Ministries depending upon the scheme?
- Should 80% of Ministry's allocation be done on the basis of above referred formula and 20% be set aside for fast implementing States, so as to incentivise prompt and timely implementation?
- Currently, in all such CSS where flexibility is not already built in, at least 10% of allocation in a State in a scheme can be utilised as flexi-fund. For this purpose, guidelines have been issued by Department of Expenditure. What should be percentage of flexi fund, if any? Should there be a modification ?
- Should the cost norms for various components be adjustable at the state level, to meet local conditions.

D) Release of funds to States in a CSS:

- How should the existing fund release mechanism be modified to make it more effective, timely and predictable?
- Should the funds be released in not more than two instalments, based on previous year's performance instead of insisting on Utilisation Certificate during current year?

E) Transition arrangement: key questions are:

- Implementation of schemes till 2014-15 may have created committed liabilities on the ground. How should this committed liability be funded given the shrunken fiscal space available with Government of India?
- Should works, which are partially complete, be funded on the basis of funding arrangements in place when the work was approved? What should be the cut off percentage of physical progress for a work to qualify for continued funding under earlier arrangements?

F) Measures for coordination between the Centre and the States and among the States for achieving the objectives of the schemes:

NITI Aayog has been established for promoting cooperative federalism. NITI Aayog has also been mandated to monitor and evaluate important initiatives of Government. Key questions may be:

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- In what way can this role of NITI Aayog be strengthened to improve the impact of CSS schemes?
- What mechanism/practice should replace the earlier format of annual plan discussions pertaining to CSS?

Important inputs received from the Member States/UTs:

2.4 Inputs received from Member States and UTs are tabulated below for ready reference.

<i>S.No.</i>	<i>State</i>	<i>Issues</i>	<i>Views/Suggestions</i>
1.	Arunachal Pradesh	No. of CSS	<ul style="list-style-type: none"> • 56 CSS are to be implemented/ continued (34 fully funded, 20 partially funded and 1 delinked from CSS, viz. Modernization of Police Force) • All 17 Flagship schemes, reflecting National as well States' priorities should be continued.
		Funding Pattern	<ul style="list-style-type: none"> • Flagship and legislation backed schemes should be 100% funded by Government of India. • Shared scheme funding pattern should preferably be 90:10 for hill states. • Uniform funding pattern against each component of particular umbrella scheme may be adopted to avoid discrepancy.

			<ul style="list-style-type: none"> • The cost norms should be realistic and state specific depending on cost of transportation of construction materials and other local factors. • Unit cost, inter-se allocation among components and mobility of implementation may be decided by the State.
		Funding of incomplete projects	<ul style="list-style-type: none"> • The liability created on account of posts already created for delinked schemes should be addressed. For new schemes, revenue/recurring expenditure must not exceed 10% of the total allocation. • A mechanism must be evolved to clear committed liability on capital account within two years – for liabilities on revenue/ recurring account for delinked schemes – hill states must be supported for 3 years
		Flexibility	<ul style="list-style-type: none"> • The flexi fund should be increased from 10 % to 25 % for all CSS. • Schemes under flexi fund may not need the approval of Government of India. • Duration of the schemes should be clearly spelt out in advance to avoid creation of liabilities. • States should have flexibility to choose schemes based on their felt needs. • Generic pan Indian scheme guidelines should be done away with.
		Monitoring & Evaluation	<ul style="list-style-type: none"> • Third party monitoring should be introduced for all CSS for proper implementation and the same should be coordinated by NITI Aayog to maintain uniformity. Alternatively, the State Government can also undertake third party monitoring through agencies empanelled by NITI Aayog. • Funds necessary for effective monitoring and evaluation may be provided by Government of India. • Regional Evaluation centers with involvement of academia. Each state may be provided with dedicated technical experts by NITI; two level meeting with PM/ Vice Chairman (NITI) can be held annually for guidance.
2.	Jammu & Kashmir	No. of CSS	<p>Instead of four categories, the CSS can be broadly divided into two categories: Category “A” : General CSS, and Category “B” : State Specific CSS</p>

		<p>General CSS can broadly comprise schemes figuring in the framework of National Development Priorities, Policies and Sector strategies as laid down by the Government of India. General CSS can be implemented by a majority / all the States so as to align their spending with the achievement of National Objectives.</p> <p>Category “A” General CSS will be as under:</p> <ol style="list-style-type: none"> 1. Rashtriya Krishi Vikas Yojana (RKVY) 2. Accelerated Irrigation Benefit Programme (AIBP) 3. National Rural Drinking Water Programme (NRDWP) 4. National Health Mission (NHM) 5. Sarva Shiksha Abhiyan (SSA) 6. Rashtriya Madhyamik Shiksha Abhiyan (RMSA) 7. Rashtriya Uchhtar Shiksha Abhiyan 8. Integrated Watershed Management Programme (IWMP) 9. National Rural Livelihood Mission (NRLM) 10. Indira Awaas Yojana (IAY) 11. Integrated Child Development Services (ICDS) 12. Jawaharlal Nehru National Urban Renewal Mission (JNNURM) 13. National Scheme for Modernization of Police and other forces 14. Pradhan Mantri Gram Sadak Yojana (PMGSY) 15. National Social Assistance Programme (NSAP) 16. Umbrella scheme for Education of ST students. 17. Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) 18. National Programme for Persons with Disabilities 19. Support for Educational Development including Teachers Training & Adult Education 20. Border Area Development Programme (BADP) 21. National Mission for Empowerment of Women including Indira Gandhi Matritav Sahyog Yojana (IGMSY) 22. Integrated Child Protection Scheme (ICPS) <p>These 22 Category “A” Centrally Sponsored Schemes can be rechristened as Flagship schemes and implemented accordingly.</p> <p>Category “B” : State Specific CSS All other schemes presently categorized as “B”, “C”, and “D” can be made part of Category “B”. States can be given</p>
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			the flexibility to choose from them as per their local requirements and needs.
		Funding Pattern	<ul style="list-style-type: none"> • The existing fund sharing pattern should continue till the end of 12th Five Year Plan. • Wherever the CSS are being funded by Government of India on 100% basis (such as RKVY, Modernisation of Police Force etc., the same should continue. • As regards other existing CSS as well as new CSS, if any, funds for implementing them should be provided to J&K / Special Category States on a 90:10 basis.
		Funding of incomplete projects	<ul style="list-style-type: none"> • Keeping in view the weak resource base of the J&K/Special Category States, their Special Category Status should be continued. • Appropriate arrangement should be made for committed liabilities created under CSS.
		Flexibility	<ul style="list-style-type: none"> • Subject to the attainment of overall national objectives, States should be allowed the flexibility to make necessary modifications in the CSS guidelines/ design of the scheme as per their geographical conditions and local needs. • These state specific changes can be approved by an Empowered Committee set up under the State Chief Secretary with representatives from NITI Aayog/ Line Ministries of Government of India. • In the alternative, the committee headed by CEO NITI Aayog with representatives of concerned Ministries and State Government could be constituted as a permanent forum to address the issues arising out of implementation of CSS. • The committee should carry out modifications in the guidelines/design where ever necessary and also fix State Specific cost norms and in terse allocations among various components of the schemes.
		Monitoring & Evaluation	<ul style="list-style-type: none"> • A robust outcome based monitoring and evaluation of schemes should be in place. Since the expenditure based monitoring is not able to highlight the impact of the scheme, the outcome based monitoring and evaluation mechanism is a welcome step. This will enable us to work out /

			measure the impact created by a scheme on the socio economic life of the individuals.
3.	Jharkhand	No. of CSS	---
		Funding Pattern	<ul style="list-style-type: none"> • Concurrence of states should be obtained before introducing any change in funding pattern during the plan period, • Schemes with components should have uniform funding pattern. • By imposing additional burden on states with limited resources for implementation of central schemes, states face difficulties in implementing their own schemes and their financial autonomy gets eroded.
		Funding of incomplete projects	<ul style="list-style-type: none"> • All ongoing schemes should be completed with existing funding pattern. Any change in the funding pattern would adversely affect the financial position of the State.
		Flexibility	<ul style="list-style-type: none"> • It is essential that states should be empowered to formulate the schemes as per their geographical, social and local characteristics. States should have adequate autonomy in formulation, acceptance and implementation of the scheme. • To deal with matters pertaining to State Lists, conditions imposed by Centre is not appropriate. • Simplification of fund flow and implementation of CSS is required. Only guidelines should be provided by the Central Government. If necessary, Centre should send its representative for approval of Annual Action Plan.
		Monitoring & Evaluation	---
4.	Kerala	No. of CSS	<ul style="list-style-type: none"> • There appears to be consensus on reducing the number of about 20-25 broadly agreeing with the listing of Department of Expenditure, but with following observations: (a) These schemes should be seen as umbrella schemes under which States should have maximum flexibility to implement and design sub-schemes relevant to their circumstances in consultation with NITI Aayog. The funding pattern of each sub-scheme should be the same for ease of implementation. • There should be an omnibus category that can accommodate the special needs of different States, such

		<p>as coastal security and coastal ecosystem management in Kerala.</p> <ul style="list-style-type: none"> • The scheme for integrated development of wildlife habitats should include protection schemes covering man-wildlife conflict.
	Funding Pattern	<p>There should be at most three categories of CSS with central funding share fixed as 100%, 75% and 50%. These are: (1) Core CSS that all States would be expected to implement with higher central share say 100% or 75%; (2) Non-Core optional CSS from which States could pick and choose, and where State share could be higher, between 25% to 59% and (3) all new schemes proposed in coming years should be treated as 100% CSS.</p>
	Funding of incomplete projects	<ul style="list-style-type: none"> • Costs of spill over works under category B,C and D where States have incurred contractual obligations should be met under the prevailing funding pattern of till the end of the 12th Five year Plan or till the completion of on-going components, whichever is earlier. • The additional funding requirement for this year should be met from the allocation of Rs. 20,000 crore for NITI Aayog in the 2015-16 budget and not from drastically reduced budgetary allocations for CSS.
	Flexibility	<ul style="list-style-type: none"> • States should have greater flexibility in selection and design of CSS, and also to design their own CSS under broad umbrellas that may be more suitable to their own circumstances, subject to the concurrence of the NITI Aayog. • There should be a common flexi fund in each Umbrella CSS of about 25% of total allocation. The guidelines in this regard should be formulated in consultation with the States and cannot be left entirely to the Ministry of Finance. • States should be given freedom to fix unit costs based on transparent criteria evolved in consultation with NITI Aayog. This should apply to schemes taken up in 2015-16 also.
	Monitoring & Evaluation	<ul style="list-style-type: none"> • Internal monitoring and evaluation should be left to the States as their systems vary. • In order to improve the effectiveness of CSS we may move towards an outcome based framework with mutually agreed benchmarks or outcomes

			<p>within specified timeframes for each scheme. The MOU concept could evolve overtime, building on the Results Framework Document (or RFD) framework of the Cabinet Secretariat.</p>
5.	Madhya Pradesh	No. of CSS	<ul style="list-style-type: none"> Number of CSS should be reduced and they should be implemented as umbrella schemes with large number of components in a sector to suit the local needs.
		Funding Pattern	<ul style="list-style-type: none"> Funding pattern of all the components of an umbrella scheme should be the same. In no CSS, Central Share be less than 50%. CSS may be divided into Core and optional schemes. For NE and Himalayan States, Core schemes must have central share of 90% and in optional scheme, it should be 80%. For Other States, Core schemes must have funding pattern of Centre:State 60:40 and in optional Scheme it should be 50:50.
		Funding of incomplete projects	<ul style="list-style-type: none"> All such incomplete projects where financial progress is 30% or above, funding should be continued as per the old pattern till 2016-17. Thereafter, the States may be allowed to complete the projects with their own resources.
		Flexibility	<ul style="list-style-type: none"> Flexibility in a scheme should be increased.
		Monitoring & Evaluation	<ul style="list-style-type: none"> -
6.	Manipur	No. of CSS	<ul style="list-style-type: none"> There should be a core of CSS to be implemented by all the States and then a basket of options to choose from.
		Funding Pattern	<ul style="list-style-type: none"> The funding pattern should be either 100% or at the most 90:10%. The erstwhile flagship programmes like SSA, MDM, RMSA, RUSA, NRHM, ICDS, IWMP, AIBP, under category 'B' may be fully supported by the Government of India and transferred to Category 'A', at least in case of Special Category States. It would be extremely unfair to revise the sharing pattern of Schemes under Category 'B' to 50:50 and to stop NCA, SCA, SPA etc. suddenly without developing an alternative support. It is well known that the NE States suffer from the infrastructure bottlenecks and are dependent on SCA and SPA for

			<p>the same.</p> <ul style="list-style-type: none"> The ASIDES, National Integration, Tourist Support schemes, BRGF under Category 'C' may be brought under Category 'A'. The scheme of 'Modernisation of Police Force' should not be discontinued.
		Funding of incomplete projects	<ul style="list-style-type: none"> For incomplete works under different schemes, like AIBP, Tourist Circuit, ACA, SPA, etc. the support must be continued for completion of assets created under schemes, and to avoid wastage of already invested funds.
		Flexibility	<ul style="list-style-type: none"> Flexi-funds under CSS may be enhanced from 10% to at least 25%, especially in case of Special Category States.
		Monitoring & Evaluation	<ul style="list-style-type: none"> ---
7.	Nagaland	No. of CSS	<ul style="list-style-type: none"> The number of CSS may be determined by Categorising CSS in 2 (two) groups: CSS of National Importance, to be implemented across the country with 100% funding. All CSS under this category may be named as National Flagship Programmes. The second category may be CSS of regional or sub-regional importance. All CSS under a particular Ministry may be clubbed/merged into a National Flagship Programme, and to that extent the number of CSS will be reduced.
		Funding Pattern	<ul style="list-style-type: none"> All the existing CSS having 100 percent central funding and are of national importance may be continued with existing funding pattern. Some of the flagship programmes such as MGNREGA, SSA, RMSA, NRHM, etc. may be funded 100% by GoI for the SC States. For other CSS, which are of regional or sub-regional importance, the funding pattern may be 75:25 for general states and 90:10 for special category states. However, the state share of 10 percent for SCS is subject to continuance of NCA. NCA, SCA and SPA, which are the main source of plan financing for Special Category States may be continued. If not, all CSS should be made 100% for Special Category States/revenue deficit states post

			14 th FC. This should be applied in case of all schemes funded under NLCPR and NEC.
		Funding of incomplete projects	<ul style="list-style-type: none"> • In respect of Nagaland, there are many ongoing projects especially funded under SPA/Negotiated Loan and State Plan (NCA/SCA), which requires a total amount of Rs.1985.17 crore to complete [this includes backlog of State share to CSS (upto 2014-15) amounting to Rs. 375.09 crore and Rs. 300 crore special package for development of Eastern Nagaland]. • If NCA/SPA are to be discontinued, Union Government should provide untied fund or evolve an alternative mechanism to tackle the situation for completion of all the ongoing projects, within a time schedule.
		Flexibility	<ul style="list-style-type: none"> • States having special constitutional arrangements like Nagaland and Jammu & Kashmir cannot fulfill all the eligibility criteria of guidelines and are often deprived. For example, under JnNURM, due to provisions under Article 371 (A) of the Constitution of India, reforms like the following could not be achieved and we were deprived of large amount of funds: <ul style="list-style-type: none"> a. Property Tax b. Property Title Certification c. Earmarking of land for Economically Weaker Section (EWS) and Lower Income Group (LIG) d. Simplification of legal and procedural framework for conversion of agricultural land for non agricultural purpose. • As such, wherever, such issues arise, the conditions in the guidelines may be exempted or made optional. • State should be given flexibility to make necessary modifications in the CSS guidelines suitably taking into account the State's social and geographical conditions and priorities. • Within CSS, allocation to components like salary, works etc. may be left to the discretion of States based on their needs. However, the changes/modifications made will be submitted to

			<p>Gol for approval.</p> <ul style="list-style-type: none"> • Flexi funds may be enhanced upto 25 percent • The cost of construction in far flung and hilly states is very high. Therefore, CPWD rates are not feasible and we are not in a position to adhere to norms of CSS. For example, under Swatch Bharat Mission, Ministry is providing only Rs. 4,000/- per toilet, which is not workable. It is suggested that cost norms may be worked out as per prevailing SOR of respective states.
		Monitoring & Evaluation	<ul style="list-style-type: none"> • Streamline and strengthen state monitoring and evaluation Departments to assess the impact of schemes/ projects. Provision for this should be in-built within the project cost. • MOU between the Centre and the State should be mutually agreed upon and not imposed. Outcomes should be linked to the actual release of funds.
8.	Rajasthan	No. of CSS	<ul style="list-style-type: none"> • There is no need to have more than ten (10) Flagship Central Schemes which focus on issues of National Importance as well as nation wide coverage. • Based on the subjects under the Union and Concurrent Lists, the schemes should be consolidated and for a specific period. One line Ministry should operate only one CSS scheme.
		Funding Pattern	<ul style="list-style-type: none"> • For schemes based on 'Entitlement Acts'-100% Gol funding. • Remaining CSS-75% Gol funding. • There should be uniform funding pattern for all components/ sub-schemes of any scheme/umbrella scheme. • 100% allocation of funds should be based on transparent formula considering parameters like area of the State, availability of key natural resources, demographic profile, socio-economic backwardness, cost of service delivery etc.
		Funding of incomplete projects	<ul style="list-style-type: none"> • If any scheme is closed, or sharing pattern is changed to the detriment to the States, then committed liabilities of such scheme should be borne by the Central Government, to the extent of original sharing pattern. Seamless integration should be ensured in the aftermath. • The works which have been sanctioned and for

			<p>which contracts have been awarded, should qualify for earlier funding arrangement.</p> <ul style="list-style-type: none"> • For incomplete projects in B C and D fund should be provided for next two years with prevailing funding pattern, or • Where only 30% of work has been completed, existing pattern continue till 2017. Thereafter, States to complete the projects in next 5 years using own funds.
		Flexibility	<ul style="list-style-type: none"> • Provision of flexi-fund, should be enhanced to 25%.This will enable states to re-align the objectives / modalities to fulfill the State Specific needs. • While evolving the structure of various sector specific schemes, the schemes can be categorized into three broad segments: <ul style="list-style-type: none"> a. Schemes for all States, b. Schemes for a group of States with common features (e.g., North Eastern States, Border States) and c. Schemes based on best practices of States (e.g., Ladli Laxmi of MP) • Within CSS which are meant for all the states, the States should be allowed to choose from a vast 'Menu' of activities pertaining to an omnibus CSS of the relevant sector. This 'Menu' approach will ensure that States are able to custom design even the CSS scheme, looking to the State Specific needs and circumstances. • For the schemes pertaining to groups of States, the design of the scheme would naturally ensure that the components would be relevant for the concerned states. • Unit cost should ideally be allowed to be decided by a committee at the State level, wherein representative of line Ministry could participate. Indexing of financial norms should also be considered. • Further, either the preparation of annual action plan for the CSS schemes should be left to the State Governments or Project Implementation Plan (PIP) should be approved at the state level committee having representation from the line

			Ministry.
		Monitoring & Evaluation	<ul style="list-style-type: none"> Monitoring should be with the States and representation of line Ministry and NITI Aayog may ensure in biennial review by the Chief Secretary of the State. NITI Aayog may take initiative for documentation of best practices and its sharing with the States.
9.	Telangana	No. of CSS	<ul style="list-style-type: none"> Grouping of the existing CSS into Core and Optional Categories: <ul style="list-style-type: none"> (I) Core CSS may include sectors covered by core national development agenda including legislative backed schemes. Sectors proposed to be covered are: poverty elimination, including enactment based MGNREGA, drinking water and Swachh Bharat, Education including SSA, health, and nutrition, Women & Child Development, and Rural and Urban Housing. These core sectors should have first charge on the CSS funds and at least 80% of the total allocation be earmarked for these sectors. (II) Allocation to optional CSS should not be more than 20 % of the total allocation under CSS. <p>Inter-state allocation of funds in respect of core and optional CSS should be transparent and formula driven. The formula should duly account for differences in the benefit of higher tax devolution across States.</p> <p>New CSS may be introduced only in exceptional cases after prior consultation with the states.</p>
		Funding Pattern	<ul style="list-style-type: none"> There should not be any sub-categorisation of core schemes and all the 27 schemes in core sectors (including modernization of the police force), whether drawn from the category 'A' or category 'B' of the Union Budget (effectively 26 after elimination of double counting of National Food Security Mission) should be funded by the Centre and States in ratio of 80:20, with exception of legislation backed schemes (Food Security, MGNREGA, and Right to Education) should be fully funded by the Centre. In addition, NSAP should also be fully funded by the Union Government. New CSS should be fully funded by the Govt. of

			<p>India.</p> <ul style="list-style-type: none"> For all the non-core schemes under the optional category, funding pattern should be 50:50 between Centre and States.
		Funding of incomplete projects	<ul style="list-style-type: none"> Irrespective of the stage of completion, all the incomplete projects should be fully funded at least for a period of four years in the existing sharing pattern. There will be permanent recurring liabilities towards payment of salaries in respect of schemes being terminated. This liability needs to be funded by the Centre at least for next four years.
		Flexibility	<ul style="list-style-type: none"> Flexi-funds may be increased to 25%. It should be entirely left to the States to formulate guidelines for the utilization of these funds depending on state specific and area specific needs. States may be allowed flexibility with regard to physical norms taking into account variations in geographical, demographic and economic conditions across States. Focus should be more on outcomes than on outlays.
		Monitoring & Evaluation	<p>Part of CSS funds may be earmarked for department as well as independent evaluation.</p> <p>Central ministries may carry out sample survey across the country to assess impact and outcomes of important CSS.</p> <p>An incentive mechanism should be put in place for those states where measurable and quantifiable outcomes are better relative to other states.</p>
10.	Uttar Pradesh	No. of CSS	---
		Funding Pattern	<ul style="list-style-type: none"> For Core Sector schemes such as NSAP, Indira Awas Yojna, National Food Security Mission, etc, funding pattern may be 75:25. Scheme National E- governance action plan should not be de linked from central support. It may be included in the core sector schemes to be implemented on funding pattern of 75 :25 or 50 :50 , Further, scheme on Modernisation of Police Force may be brought under Core Sector with funding pattern of 75:25.

			<ul style="list-style-type: none"> At least 90 % grant should be made available to the States for implementing CSS placed under category B in the Union Budget 2015-16. Schemes placed under category C and D may be funded as per the existing pattern during the 12th Five Year Plan period.
		Funding of incomplete projects	Funds may be provided for completion of ongoing schemes placed under category C .
		Flexibility	<ul style="list-style-type: none"> State level committee may be empowered to approve flexi fund for the scheme. Depending upon geographical conditions and local needs the guidelines should be State specific and more flexible.
		Monitoring & Evaluation	---
11.	Andaman & Nicobar Islands	No. of CSS	The CSS to be implemented in each UT may be decided by NITI Aayog, in consultation with respective UT Administrations, keeping in view the local requirements/ conditions.
		Funding Pattern	CSS in UTs may be funded, hundred percent, by the Central Government. The funding may be in the form of Block Grants, which should form part of UT budget of MHA.
		Funding of incomplete projects	The requirement of UTs for CSS may also be met by the NITI Aayog from the funds placed at their disposal through a consultative process with respective UTs and based on transparent parameters.
		Flexibility	<p>Consultation at the time of formulation / modification of schemes.</p> <p>Flexibility in choosing the schemes</p> <p>Flexibility in the guidelines/norms-including unit cost and financial limits.</p>
		Monitoring & Evaluation	<p>Monitoring mechanism, coordination between Centre and UTs and role of NITI Aayog.</p> <p>An impact assessment/ evaluation study of CSS through third party - expert /professional agencies has been suggested.</p>

G) The 3rd Meeting of the Sub-Group: The third meeting of the Sub-Group was held in Bhopal on May 28, 2015. Minutes of the meeting are placed at Annex-VI.

H) The 4th Meeting of the Sub-Group: The fourth meeting of the Sub-Group was held in New Delhi on June 27, 2015. Minutes of the meeting are placed at Annex-VII.

Annexure-IV

National Institution for Transforming India
(Secretariat for Governing Council)

Minutes of First meetings of the Sub-Group (New Delhi, March 27, 2015)

Subject: First Meeting of the Sub- Group of Chief Ministers / Lt. Governor on Rationalization of Centrally Sponsored Schemes held on 27^m March, 2015 at NITI Aayog under the Convenership of the Chief Minister of Madhya Pradesh.

The First Meeting of the Sub- Group of Chief Ministers / Lt. Governor on Rationalization of Centrally Sponsored Schemes was held on 27th March, 2015 at NITI Aayog under the Convenership of Shri Shivraj Singh Chauhan, Chief Minister of Madhya Pradesh. The Chief Ministers of Arunachal Pradesh, Jammu & Kashmir (accompanied by Finance Minister-Shri Haseeb A. Dabru), Jharkhand, Nagaland, Rajasthan and the Lt. Governor of A & N Islands and CEO, NITI Aayog participated in the meeting. The Chief Ministers of Kerala, Telangana, Manipur and UP could not participate in the meeting due to their prior commitment including ongoing Budget Session of their State Assemblies. The meeting was also attended by senior officers from the States, Ministry of Finance and NITI Aayog.

Welcoming all the members of the Sub-Group and other participants, CM, Madhya Pradesh stated that constitution of sub- group is a step taken by the Prime Minister towards strengthening Cooperative Federalism. He further stated that there are diversities across the States; for example, needs of Nagaland are different from

Rajasthan or Madhya Pradesh. Problems faced by the State of Rajasthan, in implementation of the schemes, are different from that of Nagaland or Kerala.

A presentation on present status of CSS including proposed provision for CSS in budgetary proposal of 2015-16 was made by NITI Aayog. Prior to that, a factual note was also circulated by NITI Aayog. Some of the major issues framed for deliberation of the group included - Identification of sectors/CSS - to be implemented for National

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Development Agenda and Number of CSS; Change in Funding patterns; Measures for flexibility in CSS and Outcomes and target setting (role of Centre and State)

Views expressed by Members of the Sub-group and subsequent deliberations thereupon are briefly summarized as under:

Chief Minister, Nagaland mentioned that:

The State Government welcomes the constitution of Sub-Group for rationalization of centrally sponsored schemes including 17 flagship schemes.

- He opined that special category states like Nagaland are unable to provide even their 10% share and hence existing funding pattern for special category States i.e. 90:10 should be continued.
- With regard to the B- Category schemes for example, RKVY, where 100% funding from centre is in existence, concerned line Ministry now proposed for 50: 50, which might put a huge burden on special category states like Nagaland. In the same way National Food Security Mission, 100% centrally funded scheme, now line Ministry has proposed for 90:10. It was suggested that so far as Special Category States are concerned existing, funding pattern should continue.
- The transportation cost of food grains under National Food Security Act is very high in states like Nagaland and some solution to generating resources for meeting transportation costs need to be located. He stated that the State Government had sent a proposal to the Government requesting that transportation cost may be collected from the beneficiary, which was turned down by the Union Government.
- He also suggested that schemes like BRGF State Component which were implemented with an objective to develop backward regions and catered to the needs of LWE regions, should not be delinked.

- Instead of having uniform "One size fits all" kind of guidelines, there could be two sets of guidelines for implementation of CSS, one uniform set of guidelines for hilly States and the other for general category States.
- He proposed to continue Normal Central Assistance, Special Central Assistance and border area development fund etc.
- He further proposed that the entire block grant amount should be given to states as untied fund.

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- It was suggested that instead of providing food grains to poorer sections of the population under Food Security Act, it would be better to provide them means of earning livelihood.

Chief Minister, J&K mentioned that:

- 14th Finance Commission recommended for more devolution, decisively more resources and more responsibilities to the States.
- Most of the private investment in India is attracted by the General Category States and hilly states are lagging behind due to topography of the area and climate.
- Centrally Sponsored Schemes pertain to sectors like health, education, social and physical infrastructure development which are of national importance. CSS should not be seen as stand alone subject and it should be seen as a subject of integral federal system.
- 90:10 funding pattern for centrally sponsored schemes should continue for special category States.
- J&K has limited working season and at least 50% of funds/releases should be provided by April and rest sometime in October-November. Local conditions should be factored in the guidelines of CSS.
- There should be institutional guarantee regarding providing 90:10 funds for special category states like J&K, which has special features as compared to many other States.
- He also opined that there should be a permanent forum where States could frequently meet and discuss the issues relevant for economic development of the State.

- The cost of delivery of services is very high in J&K due to high cost of material and transportation. This should be taken into account while taking any decision by the Sub-Group.
- The cost norms should be state specific as the construction cost, transportation is higher in J&K as compared to general category states.

Chief Minister, Jharkhand

- Enhancing the devolution of funds from 32 % to 42% by the 14 Finance Commission is an encouraging step and State Government welcomes the same.

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- Decision making powers are still with the Central Government /Ministries and State Governments should be allowed to take decisions as per their needs and local conditions. He gave example of Department of Sports, Ministry of Social Justice and Empowerment and Ministry of Water Resources where all the decisions are taken by the Union Ministries, and suggested that there is need for modifications in the guidelines.
- He also emphasized that LWE affected states should be given adequate funds to address the problem.
- It was also suggested that the cost norms should be index based and any increase in the cost should be borne by the concerned Central Ministry.

Lt, Governor, Andaman & Nicobar Islands mentioned that:

- UTs, particularly the ones without legislature, have their own peculiar problems which need to be addressed. Issues mentioned by him included following:
- UTs are small in number and their requirements are also limited but the UTs should not be deprived of the benefits of CSS.
- UTs are not covered under Finance Commission so the stated increased devolution has not altered any arrangement for UTs.
- 17 flagship schemes under implementation should be analyzed in detail.
- Funding pattern should be similar to Special category States.
- Sub-Group should analyse scheme-wise requirement of CSS in UTs and make specific recommendations.
- He further stated that in the next meeting, he intend to make a presentation on concerns and perspective of UTs on this subject.

Chief Minister, Rajasthan mentioned that:

- Rajasthan has certain specific problems and "one size fit all "guidelines for CSS would not be suitable.
- Allocation of resources to the States should be done in a seamless manner.
- There should be 3 sets of guidelines. One set of guidelines is for the schemes which are relevant for group of States having similar conditions, (ii) For schemes implemented by all the States and (iii) Schemes which are specific to the States.

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- A mechanism should be adopted for the allocation of funds and assessment of State resources?
- Reduction in allocation of CSS in the budget 2015-16 would adversely affect implementation of the schemes in the states.
- Change in the funding pattern of schemes like RKVY and NRDWP etc. would adversely affect the States like Rajasthan due to scarcity of water.
- Changes in the schemes should not take place abruptly. There should be sufficient transition period as States might not be having adequate funds of their own to run the scheme with different sharing pattern.
- The States may be given more flexibility.

Chief Minister of Arunachal Pradesh :

- In case of special category states, the funding pattern with 90:10 ratio should continue.
- Before finalizing Guidelines, State Governments should be consulted.
- Transportation cost in hilly regions is high and that should be kept in view while deciding cost norms for the CSS.
- Draft recommendations can be circulated to all and need to be discussed in the next meeting.
- Geographical conditions of the States need to be considered.

Most of the states were of the opinion that the proposal of the Ministry of Finance regarding the revised sharing pattern of 50:50 percent for "Category B" schemes will be unfair to the states. It was further opined that the allotment to states for a scheme should be based on some transparent formula though formula may vary for different ministries. Similarly it was also suggested that the incomplete works under the discontinued schemes, like JNNURM, Bundelkhand Package etc. should be financed by the Central Government.

Concluding remarks by the Convener of the Sub Group were as under:

- (i) What should be the funding pattern? Should it be 100%, 90:10, 75: 25 or 50: 50 ? This aspect of scheme- wise funding pattern needs to be deliberated by the Sub-Group in detail.

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- (ii) To consider enhancement of Flexi fund from 10 % to 25 % depending upon the local conditions of the State.
- (iii) Allocation of funds should be continued for the remaining 2 years of the 12th Five Year Plan for the unfinished task/schemes like Bundelkhand Package etc., for ensuring their completion.
- (iv) Evolve a transparent mechanism for devolution of resources to the States / UTs considering the states' geographic conditions.
- (v) If funds are released at the end of the financial year say in February, it is not possible to utilize the funds in a proper manner. He suggested that at least 50 % of the total allocations could be released in the beginning of the financial year i.e. in April itself so that work can start well in time and remaining 50% may be released after assessing the utilization of funds.

Action points decided in the meeting are as under:

(a) To constitute an official level Working Group under CEO, NITI comprising Union Central Ministries (dealing with Flagship Programmes) and a nodal officer of each member of the Sub-Group to prepare a draft note.

(b) A Power Point Presentation will be made by the Central Ministries in respect of major flagship programmes/CSS implemented by them on the issues/challenges in implementation on 16th April, 2015 in New Delhi wherein Chief Minister, Madhya Pradesh will be present. The Members of the Sub-Group may also join this meeting if desire.

(c) The next meeting of the Sub-Group will be held on 27th April, 2015 at NITI Aayog, New Delhi.

Meeting ended with a vote of thanks to the Convener of the Sub-Group and CM, MP.

Annexure-V

Minutes of Second meetings of the Sub-Group (New Delhi, April 27, 2015)

National Institution for Transforming India
(Secretariat for Governing Council)

Subject: The Second meeting of Sub-Group of Chief Ministers /Lt Governor on Rationalization of Centrally Sponsored Schemes held on 27th April, 2015 at NITI Aayog under the Convenership of Shri Shivraj Singh Chauhan, Chief Minister of Madhya Pradesh.

The second meeting of the Sub Group of Chief Ministers on rationalization of Centrally Sponsored Schemes held on 27th April, 2015 at NITI Aayog under the Convenership of Shri Shivraj Singh Chauhan , Chief Minister of Madhya Pradesh. The Chief Ministers of Arunachal Pradesh, Jharkhand, Manipur, Rajasthan and Finance Minister of Jammu and Kashmir, Member, NITI Aayog (Shri Bibek Deb Roy) and CEO, NITI Aayog participated in the meeting.

Welcoming all the members of the Sub-group and other participants, CM Madhya Pradesh in his opening remarks recalled that in the first meeting of the Sub- Group which was held on 27th March, 2015, it was decided to constitute a working group of nodal officers under the Chairpersonship of CEO, NITI Aayog for preparation of an issue paper for discussion in this meeting. In addition, it was also decided that at official level, consultation should be held with States which are not represented by their Chief

Ministers in the Sub-Group. Since CSS are implemented by Central Ministries, the convener had also desired that a meeting should be held with Secretaries of the concerned central Ministries.

In pursuance of above decisions, the Sub-Group noted that an issue paper has been prepared and circulated among all Members of the Sub-Group by CEO/NITI Aayog. A brief presentation was made on the subject.

The Sub-Group also noted that a preliminary official level discussion has been held on April 13, 2015 under the Chairpersonship of CEO, NITI Aayog with representatives of 19 States. In addition, on 16th April, under the Chairmanship of CM, Madhya Pradesh, an interaction session was held with Union Ministries such as Elementary Education and Literacy, Rural Development, Land Resources, water resources Urban Development, Agriculture and Cooperation, Animal Husbandry and Dairy and Drinking Water and Sanitation, Women and Child Development, Health and Family Welfare.

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Thereafter the convener requested the participants to express the views on issues outlined in the issue paper. The views expressed by Members of the Sub-Group and subsequent deliberations thereupon are briefly summarized as under:

Chief Minister, Manipur mentioned that:

CM, Manipur made a brief presentation. . Following was stated:

The discontinuation of Special Category status of North Eastern states will be a big blow to the interest of these States, who have been suffering from backwardness and utter underdevelopment since long and requested to continue these financial facilities to all these States as per previous practice.

- For schemes in category B in the budget, the 2014-15 allocation was less than about Rs. 24,000 cr. However releases to States was just only about little over 60% of the BE figure. This is above 85% for other states. Thus fiscally weak NE States will get penalised for their inability to provide enhanced matching contribution.
- The total releases for the 11 States (NE States and Himalayan States) for the year 2014-15 was Rs.24,536 crore, whereas for one general category State like Uttar Pradesh, it was Rs.22,749 crore. Hence, a change in funding pattern for NE and Himalayan States, which further would adversely impact the drawl of central assistance is a not a desired outcome.
- NE States suffer from various disabilities like poor capacity, difficulty in bidding projects, higher costs of material and transportation, low resource base and above all limited working season. As a result, in past three years as per very rough calculation, release has been less than 85% of the budgeted figure even in block grant and in 2014-15, this figure has come down to about 70%.
- He requested that the flagship programmes like SSA, MDM, RMSA, RUSA, NRHM,

ICDS, IWMP, AIBP, under Category 'B' may be fully supported by the Government of India and transferred to Category 'A', at least in case of Special Category States.

- For incomplete works under different schemes where funding pattern are envisaged to be changed or which are block grant AIBP, BRGF, scheme to promote Tourist Circuit, and block grants like ACA, SPA, etc. the support must be continued for completion of projects taken under schemes, and to avoid wastage of already invested funds.
- For fiscally stretched NE states, a large amount of expenditure is required for maintenance of the police force, (20% of non-plan expenditure in case of Manipur), hence discontinuation of the scheme 'Modernisation of Police Force' will be a big blow to the NE states where law and order conditions still need a lot of improvement.
- Requested for continuation of ASIDE, BRGF, Tourist infrastructure and Modernization of police forces schemes.

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Chief Minister, Arunachal Pradesh mentioned that:

He broadly endorsed the view expressed by CM, Manipur. In addition, following was stated:

- All the schemes should be left to the States for implementation as per their priorities.
- Due to delay in release of first instalment State Government has to take recourse to overdraft. In case there is further delay in releasing funds State Government will face problems in paying salaries to its employees.
- Policy matters may continue separately and may not be linked with release of funds by the Centre. NE States have to generate employment to the people of this region, however, there is no substantial investment. Hence Central assistance would be necessary for the State.
- It is suggested that for NE States funding pattern in the ratio of 90:10 should continue.
- NITI Aayog should monitor the Centrally Sponsored Schemes.

Chief Minister, Jharkhand mentioned that:

- 8 Centrally Sponsored Schemes placed under category C such as National e – Governance Action Plan, BRGF, National Scheme for Modernization of Police and others, have been delinked from the budget 2015-16. It has put additional burden on State Government to the tune of Rs 850 crore. It was emphasized that either these schemes should continue or a provision of special package may be made for the State of Jharkhand.
- Funding pattern should be in the ratio of 75:25 for schemes like SSA, Swachh

Bharat Abhiyan.

- All ongoing schemes should be completed with existing funding pattern.
- Development is a continuous process. Hence first instalment should be released unconditionally in the beginning of the year and second instalment may be released in October. Except utilization certificate there should not be any other condition for release of instalments.

Chief Minister, Rajasthan mentioned that:

CM, Rajasthan drew attention of the Sub-Group on para 7.43 of the recommendation of the 14th Finance Commission and stated that the methodology adopted by 14th FC has reduced the fund flow to State by about Rs.5000 crore. She requested a presentation on this subject to understand the views and methodology of the 14th FC. In addition, following was stated:

- Number of Centrally sponsored schemes should be reduced.

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- State Governments may be given more flexibility in implementation of schemes.
- For general category States the CSS may be funded in the ratio of 75:25.
- Notwithstanding a change in the funding pattern, for committed liabilities, Government of India should meet them as per existing funding pattern.
- It was also suggested that there should be 3 categories of CSS: (i) Schemes which are of National importance, (ii) Schemes suitable to a group of States with similar conditions and (iii) Schemes which are suitable to the individual State as per its priorities and local needs.
- There should a mechanism for allocation of funds based on parameters such geographical area of the State, demography, backwardness and cost of delivery of goods and services etc.
- There should not be any liability at the time of closure of the scheme.
- Formulation of Annual Plans may be left to the State Governments.
- NITI Aayog may be a repository of data base and should focus on fostering spirit of competitiveness among the States.

Finance Minister, Jammu & Kashmir mentioned that:

- The premise of CSS should be viewed in the context of basic framework of resource sharing under federal arrangement. He mentioned that In India, there have been two types of Central transfer, viz. Statutory Transfer and Non-Statutory Transfer. While Statutory Transfers were used to be effected through Finance Commission, the non-statutory transfers were basically governed previously by Gadgil Formula and subsequently by Gadgil- Mukherjee Formula.
- The allocation of funds under CSS and its transfer to the States have always been completely left out of any formula, whatsoever. It has always been purely a discretionary transfer. The main issue, therefore, is to understand and address the question as to where the corpus come from. It is important to examine the

need vis-à-vis administrative capacity of the State. The basic objectives of federal arrangement are to ensure (i) equalization of public services and (ii) alignment of public services for which administrative capacities in those states who lag behind have to be developed. In both the cases, as per new arrangement of federal transfers, FFC has not done justice to J & K.

- He also suggested that a time-frame of 3-4 years needs to be given to the States to transit from old system to new system to enable them to come to up to the term.

Concluding remarks by the Convener of the Sub-Group were as under:

- Resources of the Centre have to be kept in view while finalizing the report.
- Special category states and backward regions like Bundelkhand region having different kind of problems, need support.
- Based on the deliberations / views expressed by the members of the Sub- Group, there is a near unanimity that number of CSS to be implemented in a State may be reduced.

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- What should be the funding pattern? Should it be 100 % for schemes which are of National importance, 90:10, 75:25 or 50:50 for all other schemes? It is important that the funding pattern should not differ across schemes and also across components among the schemes.
- It is desirable to introduce more flexibility to the States in formulation and implementation of CSS as per their priority and local conditions.
- There is an emerging view that flexi fund in a scheme may be enhanced from the current level of 10 % to 25 % .
- Need to continue projects, wherein 50% of the work have been completed, on the same funding pattern during 12th plan. Many States have recommended that committed liabilities under incomplete projects should be completed on old sharing basis.
- First instalment may be released in the beginning of the financial year in April and second instalment in October after assessing the utilization of funds.
- While working out Cost norms (material cost, transportation cost, wages etc.) for the schemes , local conditions like hilly terrain, desert , etc may be considered.
- There is an emergent view that schemes may be monitored sector wise by NITI Aayog by evolving appropriate mechanism.

Action points decided in the meeting are as under:

- CEO, NITI Aayog may hold Regional consultation Sessions with officials of Non-Member States and complete this exercise by third week of May, 2015.

- To prepare a draft report of the Sub-group by 25th May, 2015.
- The next meeting of the Sub Group will be held on 28th May, 2015 in Bhopal. The meeting would consider the draft report prepared by the Group of officials. For finalisation of the recommendation, if need be, another meeting may be held thereafter.

The meeting ended with a vote of thanks to the Convener of the Sub –Group and CM, MP.

Minutes of the third meeting of the Sub-Group (New Delhi, May 28, 2015)

National Institution for transforming India
(Secretariat for Governing Council)

Subject: Minutes of the Third meeting of the Sub -Group of Chief Ministers / Lt. Governor on Rationalization of Centrally Sponsored Schemes held on 28th May, 2015 at Bhopal under the Convenership of Chief Minister of Madhya Pradesh.

The Third meeting of the Sub-Group of Chief Ministers / Lt Governor on Rationalisation of Centrally Sponsored Schemes was held on 28th May, 2015 at Bhopal, under the Convenership of Shri Shivraj Singh Chauhan, Chief Minister of Madhya Pradesh. The meeting was attended by the Chief Ministers of Arunachal Pradesh, Jharkhand, Kerala, Nagaland, Telangana, and Lt/Governor of Andaman & Nicobar. Chief Ministers of Jammu and Kashmir, Manipur, Rajasthan and Uttar Pradesh could not participate in the meeting due to their official commitments. The meeting was also attended by senior officers from the States and NITI Aayog.

Welcoming all the Members of the Sub-group and other participants, CM, Madhya Pradesh, noted with satisfaction the progress made by the Sub-Group in developing a national perspective in dealing with this complex issue of rationalisation of CSS. He also noted the detailed consultations held not only among the members of the Sub- Group but also with key central Ministries. Given the importance of the task at hand which affects Union as well as each and every States/UT, he appreciated the detailed regional consultations made at official level under the chairpersonship of CEO/NITI Aayog with States/UTs not represented in the Sub-Group through their respective CMs/LGs.

Referring to the spirit of cooperative federalism, the Convener also noted the common resolve of the Union and the States to realise the VISION 2022, when India would be celebrating its 75th year of Independence. He noted that an underlying theme of all deliberations have been that the key programme, especially pertaining to Social Sector are an instrument for realising the aforesaid VISION 2022 and further that these sectors also constitute the priority sector for each of the States/UT in the country. He further stated that the Sub-Group is required to make its recommendations in the manner that benefit of interventions conjointly by Union and State Governments in these key sectors of mutual priorities are available to people of India.

The Convener informed the Sub-Group that based on the deliberations held so far by the Sub-Group and inputs received during regional consultations from States and UTs, a brief outline of the approach to recommendations have been prepared by the Working Group of Officers which has been circulated to the Group Members. He requested CEO/NITI Aayog to briefly outline the aforesaid approach for consideration of the Sub-Group.

CEO NITI Aayog briefly apprised the Sub-Group of the regional consultations taken by her at official level. She further stated that the approach to the finalization of recommendations, referred by the Convener has been broadly discussed with him and thereafter presented the same. (copy of the presentation enclosed). The main points in the presentation could be summarized as:

- a) CSS to be divided into two broad groups namely (i) Core Schemes covering National Development Agenda including legislatively backed schemes and (ii) Optional Schemes;
- b) Sectors like Poverty Elimination, Drinking Water and Swachh Bharat Mission, Electrification, Agriculture including Animal Husbandry, Fisheries and Irrigation, Education including Mid-Day Meal and Skill Development, Health and Nutrition, Women and Child Development, Housing- rural and urban and Urban Transformation are core sectors. It was also noted that due importance to be given to River Conservation and River Basin management. It was also noted that many States have demanded Law and Order and Justice System as core sector.
- c) The Sub-Group may enunciate principles on the basis of which Core sectors are identified and can suggest an illustrative lists of Schemes. Actual mapping of the Schemes to be done by Government of India;
- d) All States to participate in Core sector Schemes while for optional schemes, Centre may indicate a lump sum allocation and State be allowed to choose subject to the indicated allocation.
- e) 25% flexi-fund Governed by Deptt. Of Expenditure guidelines
- f) All Central Ministries to consolidate their schemes in core sector so that one comprehensive CSS in each sector is implemented. Such Scheme may have large number of admissible components to suit States/UTs at different stage of development
- g) Simultaneously, all Central Ministries to also rationalize Central Sector Schemes in core sector to ensure requisite synergy between Central Sector and Centrally Sponsored scheme in the same sector.
- h) Release simplified, based on pre-authorisation to lend certainty but actual dispensation of cash based on cash management policy of Ministry of Finance.
- i) Flexibility in scheme through RKVY like structure.

- j) Permanent officer level body for monitoring and evaluation and problem solving
- k) Current year sharing pattern in a scheme may remain unchanged
- l) Remuneration of workers like Asha, Aanganwadi, contract teacher etc. protected for 12th plan period, ie. the Gol commitment may be capped at the 2014-15 expenditure level in absolute terms for the remaining period of 12th Plan period i.e. upto 2016-17. Thereafter, the funding pattern for salary component will be the same as for the other components of the particular scheme.
- m) For 2016-17 onwards funding pattern may be:
 - For General Category States :
 - Core Sector Schemes: Centre 60%: State 40%
 - Optional Schemes: Centre 50%: State 50%
 - For North Eastern and Hilly States (11 States) :
 - Core Sector Schemes: Centre 90%: State 10%
 - Optional Schemes: Centre 80%: State 20%
- n) On funding pattern another variant was presented which is to divide the core sector schemes into two parts: core A; funding pattern Centre: State :: 75:25, for Core B Centre: State :: 50:50,
- o) For UTs, special dispensation. Funds for development purpose of UTs separately marked in the demand for grant of MHA and they have the flexibility to choose, in consultation with NITI Aayog, 3-4 core sectors relevant to them and which builds upon their strength.

Thereafter, the convener sought the views of the members of the Sub-Groups. Main points of the views expressed by members are summarized below:

Chief Minister of Telangana:

- Although 14th Finance Commission has increased the devolution to the States from 32 % to 42 %, some States like Telangana, Haryana, Tamil Nadu and Kerala considered as resource surplus States, have received less funds as compared to other States. Hence more than funding pattern in a scheme, the overall transfer of central fund should not be varied to the disadvantage to the State on year to year basis. It was also suggested that Niti Aayog may take up a study on this aspect.
- The proposal of restricting the number of CSS to core sector and providing flexibility was endorsed. On funding pattern, it was stated that if Gol implements schemes only in sectors like education, health, drinking water, sanitation etc. as recommended by the 14th FC, it will allow it to have sufficient funds to give higher share than what is proposed. This will also allow it to fully fund legislation based schemes.

- As far as monitoring and evaluation is concerned it was stated that the focus should be on outcome rather than on outlays.
- In schemes like ICDS, Model Schools, etc. there are both recurring and non-recurring commitments, especially for remuneration of workers, transitional period of two years may not be sufficient, it may be increased to 3-4 years.
- An incentive mechanism should be put in place for those states where measurable and quantifiable outcomes are better relative to other States.

Chief Minister of Nagaland :

- The draft report and presentation has been seen and his government accepts the same 'in Principle'.
- He mentioned that Nagaland State was borne out of political compulsion and hence it has been stated in its 16 point Agreement "To supplement the revenue of Nagaland , there will be need for the Government of India to pay out of the consolidate fund of India : Lump sum towards meeting the cost of development in Nagaland , and the grant –in –aid towards meeting the cost of administration'. As such, Nagaland deserves a special dispensation even among the Special category States.
- It is learnt from news report that there is a move in GoI to abolish to Special category Status. This should not be done. Initially, there were only 3 special category states, namely, Nagaland, Assam and Jammu and Kashmir. Later 8 more states were also granted special category status. The main reasons for granting special category status included: hilly and difficult terrain, low population density, or sizable tribal population, strategic location, along borders with neighboring countries, economic and infrastructure backwardness, and non-viable nature of state finances. Since the above conditions still prevail the special category status granted on the basis of principles accepted by the national Development Council should continue.
- The 13th Finance Commission applied the normative approach for assessment of salary requirement to all states without any consideration to special category states. The salary assessment was restricted to 35 % of the total revenue expenditure minus net of pensions and interests. As a result many SC states ended with a huge deficit at the close of the 13th Finance Commission. Nagaland ended with a deficit of about Rs1500 crore at the end of 13th Finance Commission.

Chief Minister of Kerala:

- He would like to thank Chief Minister of Madhya Pradesh for his hospitality for graciously hosting this meeting in the city of Bhopal and for the initiative taken by him to try to put together recommendations on restructuring of Centrally sponsored schemes.
- For Kerala, although untied assistance has increased, the overall flow of resources to the states has actually declined from 53.4 % of gross revenue receipts in 2011-12 to 50.43 % in 2012-13 and 46.31 % in 2014-15.
- There is a sharp reduction of about 66 % in central budgetary outlays in social sector CSS in the last union budget. This should be looked into.
- Per capita transfers at Rs 1332 during the first 3 years of the current Five year plan under CSS to Kerala are currently the lowest amongst all the southern states. The average of the four southern States is Rs1567.
- He suggested that the Report of the Sub-Group to be endorsed by the Chief Ministers should be brief, containing only the recommendations.
- There appears to be consensus on reducing the number of CSS to about 20-25. These schemes should be seen as umbrella schemes under which States should have maximum flexibility to implement and design sub- schemes relevant to their circumstances in consultation with NITI Aayog.
- The funding pattern of each sub scheme should be the same for ease of implementation.
- The scheme for integrated development of wild life habitats should include protection schemes covering man –wild life conflict.
- There should be core and non-core CSS. All the States would be expected to implement the core CSS, where the central share would be higher say, 100 % or 75 % and non-core optional CSS from which states could pick and choose and where States share could be higher , between 25 % to 50 %.
- All new schemes proposed in coming years should be treated as 100 % CSS.
- States should have greater flexibility in selection and design of CSS, and also to design their own CSS under broad umbrella that may be more suitable to their own circumstances, subject to the concurrence of NITI Aayog or line Ministry. There should be a common flexi fund in each Umbrella CSS of 15-25 % of the total allocation.

- The unit cost may vary between the States, and even within the State, depending upon the local conditions . States should be given freedom to fix unit cost based on transparent criteria evolved in consultation with NITI Aayog.
- States should know in advance when funds would be released to them during the financial year. The funds can be released in two instalments i.e 60 % in April and 40 % in October.
- A transitional mechanism is necessary for completing ongoing schemes under old funding pattern. All spill over costs of approved schemes should be continued on the existing pattern till the end of the 12th Plan.
- In order to improve the effectiveness of CSS it should be on outcome based framework.
- Role of NITI Aayog needs to be elaborated. NITI Aayog may organize annual , biannual or quarterly meetings of States on the methodology of allocation, issues in spending , outcomes , best practices etc.

Chief Minister of Jharkhand:

- The broad outline in the presentation is supported.
- BRGF is an important scheme for development of backward areas and it should continue.
- There is a need to increase the time limit for completion of ongoing projects and fund for incomplete project as stated in the presentation may be given. .
- State like Jharkhand should be considered for special status in line with North eastern States so that objective of National Development could be achieved.
- As far as funding pattern is concerned it may be in the ratio of 60:40 of Centre : State. However, no scheme should have contribution of Government of India less than 50%.
- Funds should be released in two instalments so that 50 % is released in first instalment in April, without any conditionality and balance 50 % in October after assessing the performance of the scheme.
- There should be one umbrella scheme under which there may be sub schemes / components.
- Scheme on Modernization of Police should be placed in core schemes as it is important from the angle of LWE.

Chief Minister of Arunachal Pradesh:

- The outlined approach was broadly endorsed.
- Despite a rise in devolution due to discontinuation of NCA, ACA, SPA etc has adversely affected the hilly states which are already resource deficit. While there are not CSS, NITI Aayog should look into the problem.
- Funds should be released in two instalments –first installment may be released in May and second in November every year so that States can formulate their own plan and implement the schemes in time bound manner.
- For NE and hilly States, Centrally sponsored Schemes should either be 100 % funded by the Government of India or it could be in the ratio of 90: 10.
- There may be third party evaluation system for CSS.
- Scheme on Modernization of police should continue with funding by Government of India.
- NITI Aayog should provide guidance for formulating long term plans and be repository of data base. NITI Aayog may also hold half yearly meetings with the States for monitoring of schemes.

Lt. Governor of Andaman and Nicobar:

- Agreed with the broad outline of the recommendations as presented. He complimented the Convener, other members of the Sub-Group and Group of officers for arriving at the broad approach on this complex but very important subject on which, as indicated by members, there is a consensus.
- Scheme on Modernization of Police Force should continue.
- Agreed with the recommended approach of giving requisite flexibility to UTs and to choose 3-4 sectors relevant for concerned UTs in consultation with NITI Aayog.
- For a UT having no consolidated Fund of its own, share of UT does not make sense. The relevant CSS should be funded 100% by Centre.
- For UTs having legislature and their own Consolidated Fund, there is no increased devolution as FC recommendations are not applicable to them. hence funding pattern should not be varied to their disadvantage.
- There should be a Mid –Term review exercise for all CSS

CM, Madhya Pradesh, summarized the discussion as under:

- He recalled and agreed with LG/A&N islands that in the first meeting of the Sub-group held on 27th March, 2015, there was no specific road map before the sub – group. He thanked the Members of the Sub-Groups and officials of States and

Central governments for working together which has helped the Sub-Group to finalize the approach for making recommendations. He noted with satisfaction that national perspective as well as requirements of the States have been kept in mind while developing the above road map.

- CEO/NITI Aayog was requested to frame the draft recommendations of the Sub-Group based on the emerging consensus and place before the Sub-Group in its next meeting. He further requested the members to send any other additional view on the approach, presented in the meeting.

(While the Sub-Group decided that the next meeting will be held on 13-06-2015 in New Delhi, the same has been postponed and fresh dates are shortly expected).

The meeting ended with the vote of thanks to the Chair.

Minutes of the fourth meeting of the Sub-Group (New Delhi, June 27, 2015)

National Institution for Transforming India
(Secretariat for Governing Council)

Subject: Minutes of the Fourth Meeting of the Sub -Group of Chief Ministers / Lt. Governor on Rationalization of Centrally Sponsored Schemes held on 27th June, 2015 at NITI Aayog under the Convenership of Shri Shivraj Singh Chauhan, Chief Minister of Madhya Pradesh.

The Fourth meeting of the Sub Group of Chief Ministers / Lt Governor on Rationalisation of Centrally Sponsored Schemes was held on 27th June, 2015 at NITI Aayog under the Convenership of Shri Shivraj Singh Chauhan, Chief Minister of Madhya Pradesh. The meeting was attended by the Chief Ministers of Arunachal Pradesh, Jharkhand, Kerala, Manipur, Nagaland, Rajasthan, Uttar Pradesh, Lt/Governor of Andaman & Nicobar and Finance Minister of Jammu and Kashmir. The Chief Minister of Jammu & Kashmir and Telangana, could not participate in the meeting due to their official commitments. The meeting was also attended by the senior officers from the States and NITI Aayog.

Welcoming all the Members of the Sub-group and other participants, CM, Madhya Pradesh, expressed his satisfaction in respect of the progress made by the Sub-Group in developing a national perspective in dealing with this complex issue of rationalisation of CSS. He mentioned that the Sub-Group has considered all the views/recommendations in detail. He appreciated the CEO , NITI Aayog in respect of draft Report of the Sub-Group prepared by her on the basis of the 3 meetings convened by the Sub-Group and 4 Official level Regional Consultation meeting held with all the states/UTs in Kolkata, Chandigarh, Hyderabad and NITI Aayog with the officials of the States which are not represented by their respective CMs in the sub-Group and the meeting held with Central Ministries.

CEO NITI Aayog made a presentation on draft recommendations. The views expressed by Members of the Sub –group and subsequent deliberations thereupon are briefly summarized as under:

Chief Minister of Rajasthan mentioned that:

The Chief Minister of Rajasthan praised the official team of NITI Aayog for preparing very good report. She further added that many of the recommendations proposed in the report

are in harmony with the discussions of the Sub Group took place earlier. She opined that all the states concerned are taken on board, while preparing the report.

- She would like to place on record the appreciation that NITI Aayog while drafting recommendations has considered views of all the Members of the Sub Group.
- Broadly supported the draft recommendations. Also added following :
- In regard to draft recommendation -5 presented in the draft report there should not be any kind of rider in case of optional schemes.
- As far draft recommendation -6 is concerned the funding pattern for Core schemes should be 75:25 and for optional schemes it should be in the ratio of 60:40 (Centre :State).
- She suggested that contract teachers are committed liability and services should be regularized. Further, State Government should be allowed to choose their own schemes rather than imposed through Act.
- As far as recommendation -9 on flexi fund is concerned she opined that guidelines through Ministry of Finance may not be required to be mentioned.
- Funds should be released twice in a financial year.
- As far as recommendation 12 is concerned it is suggested that funding for incomplete projects should continue till completion of the project without any change in the funding pattern.
- She would like to reiterate huge complements for efforts made by NITI Aayog for work done by them in preparation of the draft report.
- No need to involve VC, NITI Aayog for drafting changes of the Report. Convener of Sub-group is competent to undertake the job.
- Necessary provisions should be made for MGNREGA.
- Condition for 30% work completed should be abolished. It should be replaced by 'where work order has been issued' with same funding pattern which has been originally mentioned in the work order.

Chief Minister of Kerala mentioned that::

- Broadly supported the draft recommendations. Also added following :

- He would like to congratulate CEO Niti Aayog and his staff for their efforts in drafting the report.

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- Even as the 14th Finance Commission's award has given welcome flexibility to States in use of funds, the fiscal space of the States has shrunk on account of cuts in CSS in the Central budget of 2015-16. The recommendations of the Sub group on restructuring CSS should be seen in this light.
- Gross budgetary allocations for CSSs have been reduced sharply in 2015-16. The States do not want a situation in which there is progressive reduction of the total budget allocations for CSS from the current level of Rs 1.69 lakh crore. Allocations for implementation of Centrally Sponsored Schemes should be finalized in consultation with the NITI Aayog in the same manner as GBS used to be settled in the past.
- NITI Aayog should play a key role in ensuring that adequate funds are allocated each year for CSS.
- Instead of 60:40 as mentioned in para 4.25 B (b) the funding pattern should be in the ratio of 75:25.
- Slotting various CSS into different categories should not be left to Ministry of Finance in consultation with NITI Aayog alone as recommended. Central Ministries and the States are also stakeholders in CSSs and should be consulted.
- He is fully in agreement with the constitution of Empowered Committees in the States for sanctioning schemes in line with RKVY model.
- CSS should priorities poverty elimination, drinking water, education, health and nutrition and women and child development. It is also necessary to include Food Security as part of the national agenda.
- There should be synergy between CSSs and Central Sector Schemes.
- The Group of officers drawn from state, under CEO/NITI Aayog should immediately be convened to operationalize the recommendations made in the Report and to undertake further consolidation of Schemes.
- The evaluation function should be shared between NITI Aayog and State Government evaluation agencies wherever such agencies exist.

- While we should work towards the concept of Memorandum of agreement to evaluate outcomes and deliverables, it needs further deliberations.

Chief Minister of Jharkhand mentioned that::

Chief Minister, Jharkhand appreciated and supported the recommendation of the Sun-Group mentioned in the report. He stated that that suggestions/comments given by the Member States in the meeting of the Sub Group held at Bhopal on 28th May, 2015 are suitably incorporated in the report and requested Hon'ble Chief Minister of Madhya Pradesh to submit the report after making necessary changes.

Chief Minister of Manipur mentioned that::

The Chief Minister Manipur requested that all the Chief Ministers of North Eastern States submitted a common representation mentioning various suggestions to the Hon'ble Chief Minister of Madhya Pradesh, which may be reflected in the report.

- Broadly supported the draft recommendations. Also added following :
- Additional Central Assistance, Normal Central Assistance, Special Plan Assistance should be continued at least for the North Eastern States.
- RKVY scheme, which has 100% funding pattern by the Centre Government, now proposed as 60:40 funding scheme, which will be a great burden on the North Eastern States.
- As per conditions prevailed in Manipur, there is a need to continue the scheme of modernization of Police Forces totally funded by the GoI.

Chief Minister of Uttar Pradesh

- Broadly supported the draft recommendations. Also added following :
- In the Union Budget for 2015-16, the Centre has unilaterally reorganized CSS schemes without consulting the states, thus transferred additional burden on States. UP has suffered a loss of Rs. 18,257 crore on this account which has offset more than increase of Rs. 7,584 crore by way of additional devolution under 14th FC.

- In the core of core schemes, many new schemes such as those related to rural and urban infrastructure, agriculture energy, HRD, health, urban development, poverty elimination, rural development should be included.
- Schemes de-linked from Union support such as NeGAP, BRGF, Modernisation of Police Force should continue to be financed as per existing funding pattern.

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- States should also be consulted in devising formulae for inter-state allocations for CSS.
- For core of the core schemes, existing funding pattern should be continued.
- Funding pattern for salary component should be continued even beyond next two years.
- Release of funds should be in form of Block Grant.
- The existing funding pattern should continue till March 2017.

Chief Minister of Nagaland mentioned that::

The Chief Minister of Nagaland appreciated the Chief Minister of Madhya Pradesh for his able leadership in completion of the report within three months' time. He also acknowledged the efforts of CEO and other officials of NITI Aayog in completion of the Report.

- Broadly supported the draft recommendations.
- He recommended that States should be allowed to choose outlay for the any of the component of the schemes (para 4.11).
- There should be well defined transparent criteria for increase the allocation of funds for the schemes/projects of the states.
- The needs of North Eastern States / Hilly States should be taken care of in the report.
- Normal Central Assistance, Additional Central Assistance and Special Central Assistance should further be continued .
- The committed liabilities regarding manpower created under the schemes like ICDS, SSA, MDM etc. should properly be taken care of by the Central Government.
- Existing funding pattern should continue for 2015-16 till the rationalisation of CSS is completed.
- The funding under Core schemes and optional schemes should be 100% and in the ratio of 90:10 respectively subject to providing block grant.
- 10% grant should be given as construction cost under the schemes NLCPR for hill states and guidelines of NLCPR should suitably be amended by the Sub-Group.

- There should be a recommendation for completion of the incomplete projects under specific time frame and Sub-Group may also recommend for release of backlogs to allow the NE States to complete the incomplete works/projects.
- There is a need to streamline and strengthen the state monitoring system. Monitoring and evaluation of the schemes/projects of Special Category States may be continued.

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- The recommendations submitted by the North Eastern States forum for the special category status may duly be mentioned in the report.

Chief Minister of Arunachal Pradesh mentioned that:

- Broadly supported the draft recommendations.
- The needs of North Eastern States and hilly states should be mentioned in the this report.
- There should be a transparent formula for allocation of funds to the schemes to the states. No formula has been worked out in the report of the Sub-Group.
- NCA/ACA/SPA/SCS should be continued.
- Hilly State like Arunachal Pradesh need support from the centre at least upto ten years. North Eastern States get support only from centre because no private investment comes to these states due to their local disadvantages/conditions.
- Existing funding pattern should continue for 2015-16 till the rationalisation of CSS is completed.
- Maximum time of 2 years should be given for submission of UCs.

Lt. Governor of Andaman & Nicobar Island mentioned that::

Lt. Governor of Andaman & Nicobar appreciated that the Report of the Sub-Group on Rationalization of Centrally Sponsored Schemes is a focussed report and recommended that the Sub-Group may meet once in a year to re-look at the recommendations of the Sub Group, and necessary provision for the same may be reflected in the report.

Finance Minister of Jammu & Kashmir mentioned that::

- Broadly supported the Recommendations.
- There is no mention about the corpus of the Centrally Sponsored Schemes in the report.
- As Centrally Sponsored Schemes represent national agenda and if there is a fiscal squeeze, the CSSs should not be affected. The priority of Centrally Sponsored Schemes in expenditure hierarchy should be clearly mentioned in the report.

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- There should be a transparent criteria for allocation of funds under Centrally Sponsored Schemes and a technical sub-group for evolving criteria/formula may be formed.
- NITI Aayog should be a Monitoring Body for monitoring of centrally sponsored schemes.
- J&K must be at par with NE States. Special category states like J&K should get funds in the ratio of 90:10.

CM, Madhya Pradesh, summarized the discussion as under:

- He stated that the Sub-Group has been constituted in the interest of Nation and it should represent national issues. He further stated that extensive consultations with Ministry of Finance, Central Ministries were done and the Sub-Group has already met four times. He was of the view that there is no need to have another meeting of the Sub -Group.
- The officials under the Chairpersonship of CEO, NITI Aayog will re-draft the report after incorporating necessary recommendations made in this meeting. Vice Chairman, NITI Aayog may also have a look at the report and the report is to be circulated by July 5, 2015.
- Finally it was decided that the said draft be thereafter circulated so that the recommendations are formally endorsed for submission of the same to the prime Minister.

The meeting ended with the vote of thanks to the Chair.

Annexure-VIII

Department of Expenditure guidelines on flexi funds.

**F.No. 55(5)/PF-II/2011
Ministry of Finance
Department of Expenditure
Plan Finance-II Division**

New Delhi, dated January 6, 2014

Office Memorandum

Subject: Restructuring of Centrally Sponsored Schemes (CSS) Guidelines for Flexi-Funds within Centrally Sponsored Scheme (CSS).

Objectives

The introduction of a flexi-fund component within the Centrally Sponsored Schemes (CSS) has been made to achieve the following objectives:-

- (i) To provide flexibility to States to meet local needs and requirements within the overall objective of each programme or scheme;
- (ii) To pilot innovations and improved efficiency within the overall objective of the scheme and its expected outcomes;
- (iii) To undertake mitigation/restoration activities in case of natural calamities in the sector covered by the CSS.

Budgetary Allocation

2. Central Ministries concerned shall keep at least 10% of their Plan budget for each CSS as flexi-funds, except for Schemes which emanate from a legislation (e.g. MGNREGA), or, schemes where the whole for a substantial proportion of the budgetary allocation is flexible (e.g. RKVY)

Allocation of State Share

3. After approval of the Plan Budget, Central Ministries shall communicate tentative allocations for each CSS to States including the allocation of flexi-funds by the end of May of every financial year. In the CSS that are demand-driven or project-driven and it is not feasible to make allocations to States, tentative allocations for a quarter/half-year/year shall invariably be communicated to states by the end of May of every financial year. Allocation to the States shall be based on transparent and equitable criteria. Central Ministries shall make allocations for 10% of flexi-funds for the CSS amongst States in the same proportion as tentative State allocations in the 90% portion of the CSS.

4. Flexi-funds will be a part of the CSS and the name of the concerned CSS will precede the word 'flexi-funds', in the communication to States. There will be no separate budget and account head for this purpose.

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5. As flexi-funds are a part of the concerned CSS, the same State share (including beneficiary contribution, if any) would be applicable for the flexi-fund component as well. However, States may provide additional share (including beneficiary contribution, if any) over and above the required State share for the flexi-funds component of the allocation for the CSS.

Use of flexi-funds

6. States may use the flexi-funds for the CSS to meet the objectives mentioned above in accordance with the broad objectives of the main Scheme. The flexi-funds may also be utilized for mitigation/restoration activities in the event of natural calamities in accordance with the broad objectives of the CSS. However, the specific guidelines of the CSS, applicable for 90% of the CSS allocation, will not be essential for the Flexi-funds component of the CSS, except for State share requirements.

7. The flexi-funds of a CSS in particular sector, however, shall not be diverted to fund activities/schemes in other sectors. For example, if a particular CSS relates to elementary education, the flexi-funds for that scheme can only be used for elementary education and not for agriculture or any other sector. But it would be permissible to converge flexi-funds of different schemes to improve efficiency and effectiveness of outcomes.

8. The purpose of providing flexi-funds is to enable States to undertake new innovative schemes in the particular area covered by the CSS. Flexi-funds shall not be used to substitute State's own non-Plan or Plan schemes/expenditure. It shall also not be used for construction/repairs of offices/residences for Government officials, general publicity, purchase of vehicles/furniture for offices, distribution of consumer durables/non-durables, incentives/rewards for staff and other unproductive expenditure.

9. Schemes taken up with Flexi-funds shall invariably carry the name of concerned CSS.

10. The State-level Sanctioning Committee (SLSC) may sanction projects under the flexi-funds component. States will not be required to send the project to Ministries for approval under the flexi-funds window as the SLSC will have a representative of the Ministry and Planning Commission. States wishing to use flexi funds as part of the normal 90% component are free to do so.

Release of Flexi-funds

11. Release of flexi-funds for each CSS may be made on a prorata basis along with the normal releases under CSS. In other words, no separate system for releases or for utilization certificates for flexi-funds would be required.

12. Flexi-funds within each CSS will be subject to the same audit requirements as the main CSS including the audit by the Comptroller & Auditor General of India (CAG).

Monitoring & Evaluation

13. Web-based requirements for reporting the use of flexi-funds may be designed by adding modules to the existing MIS. Outcomes (medium term) and outputs (short term) need to be part

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of the MIS along with pictures/images and good practices to ensure greater transparency and cross-learning across States. For this purpose, web portal for sharing best practices is proposed to be created in Planning Commission.

14. Evaluation of flexi-funds may be done through the existing evaluation processes including those by Ministries, Programme Evaluation Organization (PEO) and Independent Evaluation Organization (IEO), Planning Commission and by independent third parties. Terms and Conditions for evaluation may be designed in such a manner that outcomes of the Scheme as a whole as well as flexi-funds are well identified/measured.

(Dr. Saurabh Garg)
Joint Secretary (Plan Finance-II)
Government of India

To,

1. Secretaries,
All the Departments/Ministries,
Government of India.
2. Chief Secretaries,
All States/Union Territories.



**List of 66 CSS and broad indication of their subjects as per entry in lists of schedule 7
of the Constitution**

S.No.	Department/Schemes/ Programmes	State/Concurrent list
1	2	3
DEPARTMENT OF AGRICULTURE & COOPERATION		
1	National Food Security Mission	Concurrent List
2	Mission for Integrated Development of Horticulture	State list
3	National Mission for Sustainable Agriculture	State list
4	National Mission on Oilseed and Oil Palm	Concurrent List
5	National Mission on Agriculture Extension and Technology	State list
6	Rashtriya Krishi Vikas Yojana (RKVY) (ACA)	State list
DEPARTMENT OF ANIMAL HUSBANDRY, DAIRYING & FISHERIES		
7	National Livestock Mission	State list
8	Livestock Health and Disease Control	State list
9	National Programme for Bovine Breeding and Dairy Development	State list
DEPARTMENT OF COMMERCE		
10	Assistance to States for Infrastructure Development for Exports (ASIDE)	State List
MINISTRY OF DRINKING WATER SUPPLY		
11	National Rural Drinking Water Programme	State list
12	Nirmal Bharat Abhiyan	State list
MINISTRY OF ENVIRONMENT AND FORESTS		
13	National River Conservation	
	NRCD	State List
	NRCP	State List
	NGRBA	State List
14	National Afforestation	
	National Afforestation Programme (NAP)	Concurrent List

	Green India Mission (GIM)	Concurrent List
	Intensification of Forest Management Scheme	Concurrent List
15	Conservation of Natural Resources and Ecosystems	
	Conservation of corals and mangroves	Concurrent List
	Biosphere Reserves	Concurrent List
	Bio- diversity Conservation and Rural Livelihood Improvement	Concurrent List
	National Plan for Conservation of Aquatic Eco-Systems (NPCA)	Concurrent List
	Environmental Management in Heritage, Pilgrimage and Tourist Centres	Concurrent List
16	Integrated Development of Wild	
	Integrated Development of Wild Life Habitats	Concurrent List
	Project Elephant	Concurrent List
17	Project Tiger	Concurrent List
DEPARTMENT OF HEALTH AND FAMILY WELFARE		
18	National Health Mission including NRHM	State list
19	Human Resource in Health and Medical Education	State list
DEPARTMENT OF AYUSH		
20	National Mission on Ayush including Mission on Medicinal Plants	State list
DEPARTMENT OF AIDS CONTROL (New Department)		
21	National AIDS & STD Control Programme	State list
MINISTRY OF HOME AFFAIRS		
22	National Scheme for Modernization of Police and other forces	State list
23	Border Area Development Programme (BADP) (ACA)	State list
MINISTRY OF HOUSING & URBAN POVERTY ALLEVIATION		
24	National Urban Livelihood Mission	Concurrent List
25	Rajiv Awas Yojana (including BSUP & IHSDP)	State list
	BSUP	
	IHSDP	
DEPARTMENT OF SCHOOL EDUCATION AND LITERACY		

26	Sarva Shiksha Abhiyan (SSA)	Concurrent List
27	National Programme for Nutritional Support to Primary Education (MDM)	Concurrent List
28	Rashtriya Madhyamik Shiksha Abhiyan (RMSA)	Concurrent List
29	Support for Educational Development including Teachers Training & Adult Education	Concurrent List
30	Scheme for setting up of 6000 Model Schools at Block level as Benchmark of Excellence	Concurrent List
31	Scheme for providing education to Madrasas, Minorities and Disabled	Concurrent List
DEPARTMENT OF HIGHER EDUCATION		
32	Rashtriya Uchhtar Shiksha Abhiyan	Concurrent List
MINISTRY OF INFORMATION TECHNOLOGY / MINISTRY OF FINANCE		
33	National E-Governance Action Plan (NeGAP) (ACA)	State List
MINISTRY OF LABOUR & EMPLOYMENT		
34	Social Security for Unorganized Workers including Rashtriya Swasthya Bima Yojana	Concurrent List
	RSBY	Concurrent List
	Rehabilitation of Bonded Labour	Concurrent List
35	Skill Development Mission	Concurrent List
MINISTRY OF LAW AND JUSTICE		
36	Development of Infrastructure Facilities for Judiciary including Gram Nyayalayas	Concurrent List
MINISTRY OF MINORITY AFFAIRS		
37	Multi Sectoral Development Programme for Minorities	Concurrent List
MINISTRY OF PANCHAYATI RAJ		
38	Backward Regions Grant Fund (District Component) (ACA) (M/o PR/M/o Finance)	State list
39	Rajiv Gandhi Panchayat Sashaktikaran Abhiyan	State list
DEPARTMENT OF RURAL DEVELOPMENT		
40	National Rural Employment Guarantee Scheme (MGNREGA)	Concurrent List
41	Pradhan Mantri Gram Sadak Yojana (PMGSY)	State list
42	Indira Awaas Yojana (IAY)	State list
43	National Rural Livelihood Mission (NRLM)	Concurrent List

44	National Social Assistance Programme (NSAP)	Concurrent List
DEPARTMENT OF LAND RESOURCES		
45	Integrated Watershed Management Programme (IWMP)	State list
46	National Land Record Management Programme (NLRMP)	State list
MINISTRY OF SOCIAL JUSTICE AND EMPOWERMENT & DISABILITY AFFAIRS		
47	Scheme for Development of Scheduled Castes	Concurrent List
48	Scheme for Development of Other Backward Classes and Denotified, Nomadic and Semi-nomadic Tribes.	Concurrent List
49	Scheme for development of Economically Backward Classes (EBCs)	Concurrent List
50	Pradhan Mantri Adarsh Gram Yojana (PMAGY)	State list
DEPARTMENT OF DISABILITY AFFAIRS		
51	National Programme for Persons with Disabilities	State list
MINISTRY OF STATISTICS AND PROGRAMME IMPLEMENTATION		
52	Support for Statistical Strengthening	Union & Concurrent list
MINISTRY OF TEXTILES		
53	National Handloom Development Programme	State list
54	Catalytic Development programme under Sericulture	State list
MINISTRY OF TOURISM		
55	Infrastructure Development for Destinations and Circuits	State list
MINISTRY OF TRIBAL AFFAIRS		
56	Umbrella scheme for Education of ST students.	Concurrent list
MINISTRY OF WOMEN AND CHILD DEVELOPMENT		
57	Integrated Child Development Services (ICDS)	Concurrent list
	ICDS	Concurrent list
	NNM	Concurrent list
	ICDS-ISSNIP	Concurrent list

58	National Mission for Empowerment of Women including Indira Gandhi Matritrav Sahyog Yojana	Concurrent list
	NMEW	Concurrent list
	IGMSY	Concurrent list
	SAAHAS-Umbrella scheme for protection & empowerment of women (12th Plan allocation) , SWADHAR-430.00 CR, Restorative Justice for Rape Victims-400, Assistance to States for PWDVA, 2005-450, women's help line-180	Concurrent list
59	Integrated Child Protection Scheme (ICPS)	Concurrent list
60	Rajiv Gandhi Scheme for Empowerment of Adolescent Girls (SABLA) and SAKSHAM	Concurrent list
	Saksham	Concurrent list
	Sabla	Concurrent list
MINISTRY OF WATER RESOURCES / MINISTRY OF FINANCE		
61	Accelerated Irrigation Benefit & Flood Management Programme (merging AIBP and other programmes of water resources such as CAD, FMP etc.) (ACA)	State list
DEPARTMENT OF SPORTS		
62	Panchayat Yuva Krida aur Khel Abhiyan (PYKKA)	State list
DEPARTMENT OF FOOD PROCESSING INDUSTRIES		
63	National Mission on Food Processing	Concurrent list
MINISTRY OF URBAN DEVELOPMENT / MINISTRY OF FINANCE		
64	Jawaharlal Nehru National Urban Renewal Mission (JNNURM) (ACA)	State list
PLANNING COMMISSION / MINISTRY OF FINANCE		
65	Backward Regions Grant Fund (BRGF) (State Component) (ACA)	State list
MINISTRY OF YOUTH AFFAIRS		
66	National Service Scheme (NSS)	Concurrent list

No.O-11013/O1/2015-NI
National Institution for Transforming India
(Plan Coordination and Management Division)

NITI Aayog, Sansad Marg,
New Delhi-110001

April 7, 2015

ORDER

Subject: Constitution of an official level Working Group for the Sub-Group of Chief Ministers on rationalization of Centrally Sponsored Schemes.

In pursuance of decision taken in the first meeting of the Sub-Group of Chief Ministers on rationalization of Centrally Sponsored Schemes, held on March 27, 2015, an official level Working Group is hereby constituted as follows:.

Composition

Sl. No	Name	
1.	CEO/NITI Aayog	Chairperson
2.	Representative of Central Ministries not below the rank of Joint Secretary	
3.	Nodal officers of States	
3(i)	Madhya Pradesh	Member
3(ii)	Arunachal Pradesh	Member
3(iii)	Jammu & Kashmir	Member
3(iv)	Jharkhand	Member
3(v)	Kerala	Member
3(vi)	Manipur	Member
3(vii)	Nagaland	Member
3(viii)	Rajasthan	Member
3(ix)	Telangana	Member
3(x)	Uttar Pradesh	Member
3(xi)	UT - A&N Island	Member
4.	SMD Advisers (NITI)	Special Invitees
5.	Adviser (PCMD)	Convener

2. The Working Group would be serviced by Plan Coordination & Management Division of NITI Aayog.

3. Terms of Reference of the Working-Group will be as follows:

(i) To prepare a draft report in accordance with the Terms of Reference of the group for consideration of the Members of the Sub-Group.

4. General

(i) The Working Group will submit its report by 22nd April, 2015 positively so that the report could be discussed in the next meeting of the Sub-Group scheduled on 27th April, 2015 at New Delhi.

5. This issues with the approval of the CEO, NITI Aayog.

-sd-

(B.B. Sharma)
Director (PCMD)

To,

1. Secretaries, Govt of India (concerned Ministries: as per list)
2. Chief Secretaries/Nodal Officers of States/UT (as per list)
3. SMD Advisers, NITI Aayog (Special Invitees-as per list)

Copy also for information to:

1. Members of the Sub-Group of CM on rationalization of CSS
2. Vice Chairman and Full Time Members of NITI Aayog
3. Shri Santosh Vaidya, Director, PMO

Copy also to:

1. PPS to CEO, NITI Aayog
2. PS to Adviser(PCMD), NITI Aayog

**National Institution for Transforming India
(Secretariat for Governing Council)**

Summary of inputs received from States and UTs, not represented by their CMs and LG in the Sub-Group during meeting in New Delhi, (April 13, 2015) and regional consultations held in Kolkata, Chandigarh, New Delhi and Hyderabad in May 2015.

Andhra Pradesh

- The reduction in the Central share for key schemes such as Sarva Siksha Abhiyan, National Health Mission, ICDS, NRDWP, Rastriya Krishi Vikas Yojana etc., will have adverse effect the State development indicators. Hence, sudden changes in the schemes is not desirable. Sufficient transition period should be given for the States to equip themselves with the changed pattern.
- Government of India did not make any provision for certain schemes like BRGF, JNNURM etc., which are being implemented by the State Government with the Central Assistance. The projects taken up under these schemes are under progress. Abrupt closure of these schemes will have an adverse effect. Assistance may be continued till the projects taken up under these schemes are completed.
- 100% support from Government of India for the 17 flagship schemes without insisting the State share.
- The Schemes for which sharing pattern is revised, the sharing pattern may be 90:10.
- The funds from the Government of India are largely released at the fag end of year making their utilisation difficult. Hence, it is requested to release the funds to the States particularly to the State of Andhra Pradesh in the first quarter of the year.
- The Government of India insists upon passing of funds to the implementing agencies soon after they release funds to the State Governments: The agencies are depositing these amounts in the banks. The State Government may have liberty to release funds depending upon the actual requirement after satisfying itself with the progress of implementation of the schemes.
- The undisbursed amounts of Central Schemes may be added to Flexi Funds which may be used by the State Governments for any schemes.
- The Government of India indicate scheme and releases amount thereby compelling the State Government to implement for that purpose only. The Central Government may sanction a lump sum amount of Rs.15,000 crores to each State Government so that the States may take up schemes which are suitable to their local requirements.

Assam

- Due to mid-course change in the system, our budget proposals have been completely derailed. Because of discontinuation of block grants and the proposed change of pattern in funding, the additional resources awarded by the 14th FC as untied fund may actually

get offset. The so called “untied” funds would actually be tied to meet the higher State share in a scheme.

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- Even, tied funds have been done away with. For on-going schemes, State should not be left high and dry.
- Allocation under SCA and SPA have been made zero. District Councils have been adversely affected. This should be reviewed.
- The State Assembly has passed a Resolution for restoration of plan assistance to the States.
- Special Category status should continue and the funding pattern of CSS for Assam should remain at 100:00 or 90:00, as the case may be, but not at a pattern which may put Assam to any disadvantage vis-à-vis the present position.
- Resource allocation of CSS should be communicated in November-December positively, to facilitate effective planning and proper budgeting at State level.
- There should be greater flexibility in CSS.
- Release of instalments should be smooth and hassle free.
- There may be Special package for completing ongoing CSS.
- Flexi funds may be increased.
- NITI Aayog may build capacity and help States in resource mapping and development of long term perspective plans. The NITI should have tie ups with best of academic and research institutions which should be accessible to States.

Bihar

- 14th Finance Commission has done more harm than good to the State. As per the recommendations of 14th Finance Commission, there is a reduction in the resources of the State and thus it is imperative that additional resources are devolved to maintain the previous level of funding under CSS. As a result of combined effect of FC devolution and proposed reduction in plan funds, the plan size of Bihar has come down from Rs. 69,250 crore to Rs. 57,137.62 crore. If the sharing pattern of funds under the CSS remain the same the State like Bihar will not be able to provide its share.
- For the last 3-4 years, the State has been striving to achieve convergence to National level in terms of per capita income.
- Losses should be made good due to reduced plan size.
- Funding pattern of CSS should not be changed.
- Sharing pattern should be formula based.
- Resource allocation to states should be need based. As a matter of principle, the fund under CSS should be devolved on the basis of need which may be measured as a distance from a decided norm or national average for any indicator in any sector. From this perspective, States like Bihar would be needing larger and preferential support from the Government of India.

- Some important schemes like ICDS , NHM , SSA, MDM, IAY, have been placed under category B for such schemes where per capita income of the State is below 50% from national average the funding pattern should be 90:10.

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- BRGF schemes are required interventions for backward areas and thus no cut should be effected.
- Rights based schemes such as MGNREGA, SSA, National Food Security Mission as well as flagship schemes of national importance should be kept in category A.
- Schemes which have been deleted from Central Assistance (Category C and D) should be provided with adequate funds for the next two years for completion of pending works.
- A consultative committee evolving representatives of the States should be constituted to support the sub-committees constituted in the NITI Aayog and State should be consulted prior to any change in State related schemes.
- The power of Administrative approval of schemes should be decentralized in line with that of RKVY. The flow of funds should be as per the guidelines of BADP.
- Releases should be made in two instalments , 1st in April/May (90%) and second in December (10%).
- 90% of the total allocation should be released after receiving the UC of funds received last to last year, skipping the last year fund released and remaining 10% should be released after expenditure of 50% of fund released during the last year.
- Flexi funds may be kept at 20% in respect of all CSS.
- A thorough review of physical measurement should be carried out in order to provide flexibility in cost adjustment as per local needs in the State.
- Evaluation of the schemes should be done by the professional Institutes.
- There should be a nodal officer in NITI Aayog to have a better coordination between Centre and State.

Chhattisgarh:

- It is noted that due to higher devolution of 42% of net tax receipt, Central Assistance to State Plan has reduced from Rs.3.38 lakh cr. to Rs.2.04 lakh cr .
- The major proportion of the allocation under SSA, RMSA and NHM is for teachers and health workers and such expenditure is necessary and unavoidable.
- CSSs of National Agenda should be continued. 2/3rd of the overall allocation should go to core schemes and rest to the optional schemes.
- There should be formula based allocation under CSS.
- There should be a platform at NITI Aayog to represent the issues / problems of the States.
- There should be outcome based evaluation by third party.
- Food security scheme should have high level funding and the funds should go to the States.
- Fiscal autonomy should be decided on priority.

- Unit cost and capital expenditure are very important factor and to be decided as per choice of the state.

Goa

- Existing funding pattern should be retained.
- For implementation of schemes under the National agenda, States should be consulted.

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- Schemes placed in category 'A' should be funded 100% by the Centre.
- Schemes placed at Category B- Existing funding pattern should continue.
- 'C' and 'D' –projects which are under implementation should be allowed to completed with existing funding pattern.

Gujarat

- At least, overall central receipts to the States should be maintained to 2014-15 level.
- For the purpose of proper implementation of each CSS, idea of expected amount should be clear to States to enable them to make budgetary provision.
- Funds should be released in 2 instalments in advance to enable State Government to meet expenditure within the financial year.
- Extent of disability of States should be assessed for implementation of CSS specially in respect of liability of Man-power and Capex.
- Number of CSS under category- A in Union Budget should not be reduced.
- For Category 'B' CSS, till the currency of 12th Plan, we can consider reducing the scale instead of changing the funding pattern.
- Under Category-B, an objective base assessment is to be made of liabilities both in terms of manpower and projects. Central Government may maintain their share at least for the remaining two years of the 12th Plan.
- Changes to be made from input based CSS to output/ outcome based CSS.
- Interaction between Centre and States should be regular feature in which NITI Aayog should play an important role.
- Assured releases be made in respect of major schemes such as AIBP.
- From next year, GST is likely to be rolled out and thereby taxes should be shifted from manufacturing States to non-manufacturing States. This ensuing change needs to be factored into the report.
- For every CSS there should be objective and transparent criteria for allocation of funds among the states. The criteria should be based on area and population, level of disability, or development load. However, the criteria should be notified by the Ministries concerned.
- The criteria should be notified upfront by the ministry concerned.
- Under RKVY existing funding patters should be maintained.

- There is big variation between allocation and actual releases under CSS. This should be rectified.
- Details of unit cost, *inter se* allocation among components and modality of implementation are best left to the State agencies.
- The process of approval annual work plan for the projects under CSS should be delegated to State Level Project Committee headed by Chief Secretary as has been done successfully under RKVY.

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- NITI Aayog may provide expertise and assistance in programme formulation and impact assessment. NITI Aayog may also develop a repository of best practices.

Haryana

- As per the 14th Finance Commission Report, there will be unconditional transfers to the State. Therefore, if there is a change in the existing funding pattern of CSS and State Government is to earmark more funds under these schemes then the purpose of unconditional transfer to States defeated.
- Scheme of Modernisation of police has been delinked in the budgetary provisions for 2015-16. For ensuring uniformity across the States this scheme should continue.
- There is a combined impact of broad changes like setting up of NITI Aayog in place of the erstwhile Planning Commission, Central Government's acceptance of the award of the 14th FC of increasing the devolution of Union Net Tax Receipt from 32% to 42% and consequent changes in the budgetary proposal regarding CSS and block grants are impacting the finances of the States and there is a degree of uncertainty.
- Number of schemes to be implemented and their formulation should be governed by the priority of the State as in case of Haryana, the priority is on Agriculture, Rural Development, Health, Job creation etc. Schemes should be formulated keeping in view the Human Development Index (HDI).
- Instead of the Centre deciding the assistance per scheme to a State, sectoral funds should be allocated first to States who then may be requested to indicate the assistance needed in different schemes as per their priority. The allocations of the schemes should be known to the States in advance so that the necessary provisions can be made in the State Budget. If this is done, and States are allowed to choose their schemes, no further flexibility in implementation is required.
- The Schemes which are of national importance/ priorities minimum funding should be 75:25.
- The funding pattern of partially completed projects/activities in a scheme should be continued in the existing funding arrangement with Government of India till the completion of the project.
- For the remaining two years of 12th Plan period, the scale of investment in a Scheme can be reduced rather than change in funding pattern.

- The funding pattern across all the States should be same including backward states. The more progressed States should not be penalized for their progress and sufficient funds should be given for the progress and maintenance of the assets created.
- The share of Government of India in the Centrally Sponsored Schemes in Capital creation schemes should not be less than 50%.
- There should be a project based strategy of central funding.
- Flexi fund should be increased to at least 30 percent.

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- Cost norms should be determined on local needs and extra ordinary deviations should not be there.
- The release of funds should not be linked with the expenditure. Rather it should be linked to outcome. As long as mutually agreed outcomes are met, fund should be released.

Himachal Pradesh

- Block grants under NCA, SPA, SCA should be continued.
- No cut in the Central share of the CSS may be made for the revenue deficit States like Himachal Pradesh. . Himachal Pradesh, is unlikely to have revenue surpluses post FC devolution and hence has no fiscal space to fund such Centrally Sponsored Schemes. The Finance Commission has recommended the Revenue Deficit Grant only to cover the Non Plan and Plan revenue expenditure, of which the Central share of the Centrally Sponsored Schemes does not form part.
- Funding pattern of the Centrally Sponsored Schemes should be retained in the ratio of 90:10.
- The funding pattern of all the Special Category States should be at par with North Eastern States and necessary amendments in the guidelines of the CSSs may be made to adopt similar norms for all Special Category States. Only because the State is peaceful, it should not be given unfair treatment among the eleven Special Category States, with respect to Central Funding under various CSS.
- The funding pattern of all the Special Category States which includes hilly States should be at par with the North Eastern States and necessary amendments in the guidelines of the CSSs' may be made to adopt similar norms for all Special Category States.

Karnataka

- The reduction in outlay of CSS and Finance Commission grant has affected the overall devolution in a manner that availability of central resources in 2015-16 has been reduced by Rs.1987 crore as compared to the previous year. It was stated that the total resource transfers from the central government to the State should not be reduced.
- There is a drastic reduction in Union Budget. Adequate funding should be continued by the GOI. Transfer of funds from the Central Government to the States should be viewed in totality and net transfer should not be less than that of allocations in 2014-15.

- The States should have more flexibility for selection of schemes as per their requirement and to decide the outlays for sub-components of a scheme.
- Action plans and periodic monitoring and review must be entrusted to State level empowered Committee set up under the Chief Secretary of Additional Chief Secretary. These Committee could have a representative of the line Ministry of Government of India.
- More flexibility should be given to the States for implanting of the schemes.
- Norms for determining unit cost may be reviewed and revised every two years. Or as often as required.

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- Transition arrangements should be made for next two years for incomplete projects.
- Under JNNURM, large number of projects have been sanctioned. The state is not aware whether funds committed in incomplete projects will be received from the centre. Government of India may indicate the position in this regard.
- The schemes under Category A should be continued.
- Delinking of schemes under Category C and D would adversely impact ongoing works and projects taken up by the states. The schemes under Category C and D should be continued to be funded by the Central Govt.
- BRGF has been discontinued by GOI, there is a need to continue this programme.
- Out of 66 CSS, schemes pertaining to Fisheries which is a central sector scheme should be restructured as CSS.
- Under sub-head within umbrella scheme funding should be the same and central share should not be less than 50 percent.
- Any change in guidelines, the matter should be discussed by the NITI Aayog with the States.
- Funds should be released in two instalments. Submission of UC for first instalment of the previous year should be sufficient to as per the existing sharing pattern till the works are complete. Release of first instalment of funds for ongoing year. Insistence on sub-component wise UC must be done away with.

Maharashtra

- Post FFC, net devolution to the State has gone down.
- Entire liability of legislation backed scheme should rest with the Centre.
- Norms of allocation for other CSS should be formula based.
- There should not be any reduction in number of schemes. All the 66 CSS should be continued.

- Schemes under category C and D as reflected in the Union Budget are already under implementation in the state. Delinking of these schemes will be problematic and not acceptable to the state.
- Existing funding pattern should continue for all CSS.
- Unit cost has not been fixed under various CSS, this should be formula based and be fixed after consultation with the state.
- Many of CSS require approval of projects, action plan and release of funds by line ministries after recommendation of state level Committee which is often cumbersome and time consuming. All the responsibilities in this regard may be delegated to the Empowered Group headed by the Chief Secretary or Addl. CS of respective states. Addl. Secretary/ Joint Secretary/ Director level officer from GOI may be the part of such group.

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- 50% of allocation should be released in the month of April on the basis of substantial utilization of first installment of previous to allow implementation well in time. Second and last installment can be released after assessing the substantial utilization of first installment of the same year.
- Flexi funds under CSS should be increased from 10% to 25%.

Meghalaya

- FFC increased allocation has been offset by the loss of SCA and SPA. Number of CSS should be reduced which would allow the centre to have higher share in the CSS without posing burden to States.
- Assistance that were committed by Centre at the time of projects being sanctioned under SCA and SPA should be provided as the State does not have the requisite fiscal space for taking over these liabilities.
- Size of CSS has to be reduced or else funding from the Centre should be higher.
- In respect of Category 'C' and 'D' CSS, first allocation has been made based on an assessment. This practice should be done away with.
- For category 'D' CSS, projects will remain incomplete for want of SPA fund, and hence, this needs to be financed from the Centre.
- States may be allowed to choose from a pool of scheme. Allocations of fund for CSS as a whole, to be given to a State, should be decided in advance and as suggested by Haryana, the State should have the option to choose the scheme which they want to implement and the level of assistance required in particular scheme.
- For the State, per unit cost is higher than other states. Revenue expenditure is a big problem. These need to be factored into while deciding allocation of Central Assistance to State Plans and funding pattern in CSS.
- Designing of CSS should as per the state specific feature.

Mizoram

- State Government welcomes the increased devolution from 32 % to 42 % as per the recommendations of the 14th Finance Commission.
- Block grants such as NCA, SPA, ACA, should continue.
- For NE states funding pattern in the ratio of 90:10 should continue.
- There should be more flexibility in implementing of schemes as the working seasons in the State are short as compared with other States.

Odisha

- 14th Finance Commission has recommended for more devolution, however in real terms State is getting less allocations which has adversely affected resource position of the State.
- Delinking BRGF, district as well as State component in the budgetary provision for 2015-16 is a major concern for the State. These schemes were implemented with an objective to develop backward regions like KBK, and to cater to the needs of LWE regions. This need to be restored.

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- There should be a single source of consultation as it was earlier with erstwhile Planning Commission rather than consulting individual Central line Ministry.
- 17 flagship schemes should be retained with the existing funding pattern.
- The current share of flexi funds may be increased up to 20% so that the State may have greater flexibility in implementation according to their need.
- Higher devolution through 14th FC route should not be tied by increasing the State share in a CSS.
- The funding pattern of the CSS should be for the entire scheme – both for capital and revenue components. It should be uniform for general category States. It should be simplified by limiting it to two categories – 90:10 and 70:30 between the Centre and the State. At the same time, there need not be uniform funding pattern for all the CSS. Funding pattern for Agriculture and Allied sector, Irrigation and Flood Control, Rural Infrastructure and Social Sector schemes should have higher central share component. Each component in a particular ‘umbrella’ scheme should have the same funding pattern. No CSS should have Central share less than 50%.
- The States should have the option to select the CSS appropriate to the State’s needs.
- There should be a MoU on outcomes and scheme allocation be linked to outcomes.
- There should be definite commitment on flow of central share to the State and their timings.
- Instead of Utilisation Certificate, the release should be based on statement of expenditure furnished by the implementing agencies and countersigned by the concerned Department of the State Government.
- Committed liability in respect of works in progress and manpower deployed for schemes / projects taken up under IAP, BRGF, RLTA and Accelerated Irrigation Benefit

Programme should be provided for as per the existing funding pattern out of the fiscal space available with the Central Government.

- The funding for RLTA as approved by the Planning Commission till 2016-17 should be continued.

Punjab

- There is no substantial increase to the state due to the higher devolution recommended by the 14th FC.
- The intent of the 14th Finance Commission is to increase the unconditional transfers to the states. It is important for the Sub Group to make recommendations for rationalization of CSS in such a way that unconditional transfers made by the 14th FC are not tied up with the CSS..
- Funds under the CSS should be released unconditionally and in a time bound manner. However, to ensure that the scheme objectives and outcomes are fully met there should be performance budgeting for each Scheme and post implementation third party evaluation of

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selected (20% schemes every year) flagship schemes is undertaken. The linking of quantum of allocation to outcomes achieved in previous years should not be more than 20 % of total allocation under each scheme.

- The funds under CSS should be released in two instalments in June/ July and November/ December, to ensure full utilization within the financial year.
- The percentage of flexi funds should remain at 10 % .
- State should be free to choose from the pool of Centrally Sponsored Schemes according to their local needs. With limited resource base with the States it will not be possible for States like Punjab to take over committed liabilities under CSS. The works which have attained 20% or more physical progress should continue to be funded as per earlier funding arrangements.
- The CSS being implemented either directly under a statute or as a result of implementation of some statute , for example SSA, should be substantially funded by Government of India. The sharing pattern of MGNREGA should be retained at 90:10 and sharing pattern of National Food Security Mission should be retained at 100 %. Existing funding pattern for centrally sponsored schemes under category B should be left unaltered and the state should be free to determine the quantum of funding required under each scheme subject to overall ceiling fixed for each State and the sharing pattern of each scheme. The funding pattern should be same for all the States and concept of Special category status should discontinued.
- CSSs should be implemented on uniform pattern for each component including both revenue and capital component
- The estimated loss to the State is to the tune of Rs 258 crore on account of delinking of schemes from union support related to creation of infrastructure such as National Scheme for Modernisation of Police and other forces, Assistance to States for Infrastructure Development for Exports, Infrastructure Development for Destinations and Circuits etc.

- The status of scheme “National Plan for Dairy Development needs to be clarified as the same has not been covered under devolution to states, neither delinked and nor converted into Central Sector Scheme.
- NITI Aayog can act as a repository of knowledge and best practices to be shared with states.

Sikkim

- The State endorses the views of other NE States

Tamil Nadu

- Tamil Nadu has not gained due to higher devolution of taxes. There is only 1.16% increase there to Tamil Nadu State after increased devolution by the 14th Finance Commission. Hence it would be unable to meet its share it is raised above 25%. It is recommended that the State’s share should be limited to 25% in order to ensure that the states’ own expenditure priorities are not distorted.
- There should be more flexibility in implementing the schemes.

- Allocation of funds by the Central Ministries in a CSS should be based on a transparent mechanism.
- The State should be informed of their allocation in time so that the budgetary exercise in State is not affected. Some clarity in guidelines for allocation of funds for the next year and same funding pattern required.
- Social Sector schemes launched by States should be dovetailed with Central schemes.
- Substantial flexibility in design of the CSS schemes should be provided to the State Governments.
- Substantial allocation/release should be made at the beginning of the year. As funds are released from the Consolidated Funds of the State government, the account of which is audited, Centre should not insist on Utilization Certificate for releasing the next installments.
- Indexing of financial norms should be made periodically. For e.g. cost of IAY house doesn’t get periodically revised.
- All the programme should be designed on RKVY model.
- Untied funds should be given under all CSS.
- The Flexible funds should not be less than 25%.
- State share should be a part of State Plans. Central share should be shown separately.
- Even for the projects being partially funded by External Assistance, there is a slippage in the Union Budget in providing the funds which the External Agencies are willing to provide as loan.

Tripura

- Approval of action plans and periodic monitoring and review must be entrusted to State level empowered Committees set up under the Chief Secretary.
- Unit cost must be revised every two years or as often as required in due consultation with the States and particular requirements of NE Region in fixing unit cost ect.
- State should have flexibility to decide the outlays for sub components of a scheme.
- The process of release of the Central share should be simplified and in two instalments first in April, and next after 6 months.
- As far as B category schemes are concerned funding pattern in the ratio of 90:10 should continue for the NE States.
- 100 % funding for CSS by the Government of India will be welcomed.
- There could be two sets of guidelines for implementation of CSS- one uniform set for special category States, and other for general category States.
- Funding under NCA, SPA, and SCA should be continued for all the special category States under NER so that they can catch up with other parts of the country.

UTs

- Views of UTs as a whole have been provided by LG of A&N Island during deliberation of the Sub-Group.

Uttarakhand

- Although the 14th Finance Commission has increased the share of states in central taxes from 32% to 42% but because of the changed criteria for horizontal devolution the percentage share of the state has been reduced , as a result of which the state is a net loser on this account to the tune of Rs 2236 core.
- NCA, SPA, SCA have been scrapped which has squeezed state's fiscal space. Block grants under NCA, SPA, SCA should be continued.
- Infrastructure development in border areas should be funded under special Central Schemes to counter migration and creation of demographic vacuum.
- Building of railway infrastructure and strengthening of National Highways should be taken up on priority in the State.
- Ardh-kumbh is just 6 months away, however, no provision has so far been made on this account. This issue needs to be addressed on priority.
- State has faced natural calamities in the recent years and needs higher allocations for completing the reconstruction works.
- Schemes which with 100% funding the Government of India should remain as CSS. All other schemes should be left to the States for their formulation and implementation as per their needs.

- For Special Category State like Uttarakhand funding pattern should be at least 90:10 in all Schemes across all components. Any CSS in which Central component is less than 50% is not acceptable to the State Government.
- Government of India should compensate a State for maintaining a very high forest cover which benefits the entire country but reduces the availability of land for other purposes for that State. It was recalled that a Committee under Sri B.K. Chaturvedi in the erstwhile Planning Commission had recommended compensation to States with higher forest cover. It was also mentioned that while 14th FC has used forest cover in formula for devolution, its weight is too low and additional devolution on this account is negligible.
- Regarding the social development schemes, States need to be given more flexibility.

West Bengal

- Shifting of some of the CSS like Backward Region Grant Fund (BRGF), National Scheme of Modernization of Police and other Forces, Model School etc. to States is a unilateral decision of the Government of India. West Bengal is grappling with the problem of LWE in districts of Bankura, Purulia, and Paschim Medinipore and Gorkhaland agitation in Darjeeling district. In view of above, scheme on Modernization of police should not be discontinued. Further, programmes taken under IAP would also be adversely affected.

- In schemes such as Rashtraiya Krishi Vikas Yojana (RKVY), Integrated Child Development Services etc. the state share has been drastically increased by reducing the central share which need to be reviewed.
- In Budget of 2015-16 Central Government has reduced its financial commitments in some of the important schemes such as National Mission of Sustainable Agriculture , RKVY, Integrated Child Development Programme, National Rural Drinking Water Programme , Mid Day Meals Programme , Sarv Siksha Abhiyan National Aids and STD, Control, Programme , National Livelihood Mission etc. The curtailment of allocations of funds ranges from 29 % to as high as 78 % as compared to the 2014-15 revised estimates (R.E).
- Request to reconsider the decision of the Government of India so that the existing arrangement of central support in the form of CSS , NCA, SCA, ACA and SCA for Hill areas etc is not altered.
- No changes as proposed in Union budget 2015-16 for funding pattern for the CSS under category A. For schemes in category B, no change should be affected till the recommendation of the Sub Group are considered and the State's views are made known to the Centre.
- All the incomplete works including cost escalation due to time and cost overrun taken up under JNNURM phase -1 should be financed by the Central Government for a further

period of 2 years. Central Government should also launch JNNURM Phase –II to cover those municipal towns which could not be covered in phase -1 of the programme.

- The gains due to higher devolution by the 14th Finance from 32 % to 42 % Commission is completely wiped out by restructuring of CSS.
- No new Centrally Sponsored Scheme should be introduced by Government of India without taking on board the views of the State Government.
- The existing funding pattern in no case be changed and the State should not be required to contribute more than 50 % in any schemes.
- The flexi component of the CSS should be increased from present 10 % to 25 %.
- The modification of guidelines, sharing pattern etc. of the ongoing CSS should not be done unilaterally by the Centre without due consultation with the States.
- Frequent changes in the schemes should be avoided. There should be sufficient transition period as States either may not be having adequate funds of their own to run the Scheme with different sharing pattern or require time to adjust the administrative machinery to cope with the changes.
- The State should be given the flexibility to decide the sub – components outlays within the overall structure of the scheme.
- First instalment in any Scheme in a Financial Year should be released unconditionally. Thereafter, subsequent release by the Government of India should be made on utilization of 30 % of the total funds under the scheme instead of present 60% to 100% .

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- A single State level Committee under the chairpersonship of Chief Secretary or Additional Secretary should be set up for approving Action Plan for all CSS. This committee could have a representative of the Ministry of the Government of India as a Member.
 - On -line submission of utilization certificate by the States should be made mandatory and physical submission may be considered to be dispensed with . This will save time.
 - Unreleased amount should be carried over to the next year and given to the State in addition to the normal allocation of that financial year, if non-drawal of funds by the states is due to delay by the Centre.
 - All incomplete works under all the CSS which have been discontinued by the Centre should be financed by the Central Government.
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Annexure-XII

Minutes of the meeting on Centrally Sponsored Schemes with Administrative Ministries held under the Chairmanship of the Hon'ble Chief Minister of Madhya Pradesh, on 16th April, 2015.

**NITI Aayog
(Plan Coordination & Management Division)**

Subject: Minutes of the meeting on Centrally Sponsored Schemes with Administrative Ministries held under the Chairmanship of the Hon'ble Chief Minister of Madhya Pradesh, on 16th April, 2015.

A meeting was held under the Chairmanship of the Hon'ble Chief Minister, Madhya Pradesh on 16th April, 2015 at NITI Aayog with the Central Ministries/ Departments dealing with Flagship Programmes to discuss the various issues concerning implementation of the Centrally Sponsored Schemes. The Ministries/Departments participated in the meeting included: Agriculture and Cooperation, Animal Husbandry, Water Resources, Land Resources, Rural Development, Drinking Water and Sanitation, Urban Development, Elementary School Education and Literacy, WCD, and Health & Family Welfare.

CM Madhya Pradesh while welcoming the participants mentioned that the Union Ministries/ Departments may give their views on issues concerning implementation of flagship programmes. He specifically invited suggestion of Ministries on implementation of CSS in the context of enhancement of allocations from 32 % to 42 % as per recommendations of 14th Finance Commission to the States, classification of CSS under A,B,C, and D categories in the budget 2015-16, provision of flexi fund and flexibility to the States in implementing the schemes. Presentations made by the Ministries have already been circulated online. Major points made by them are summarized below:

A. Department of Agriculture and Cooperation:

Rashtriya Krishi Vikas Yojana:

Issue (i): Funding pattern

As regard the proposed funding pattern of 50:50, most of the States have opposed any increase in States share in RKVY citing resource crunch and other reasons. While some States like Tamil Nadu, Maharashtra , Rajasthan have suggested for funding pattern of 75:25 between Centre and States, Assam and Jharkhand opted for 90:10. The States of Andhra Pradesh, Manipur, Meghalaya, Mizoram, Odisha, Punjab, Himachal, Uttar Pradesh, Chhattisgarh, Madhya Pradesh have suggested 100 % funding by the Centre. However, Ministry stressed upon the requirement of raising investment in agriculture sector and since the union budgetary allowance has got reduced, it recommended that it is desirable that States should raise their share.

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Issue (ii): Release of Instalments:

Ministry was of the view that State Government may get first instalment in the beginning of the year. However, second instalment may not be released, if the State does not contribute its share before 2nd instalment becomes due.

B. Department of Land Resources:

Integrated Watershed Management Programme (IWMP):

- The Ministry pointed out the importance of scheme in overall management of water and brining efficiency in the agriculture sector.
- Out of 15 responses from States, 3 have agreed to 75:25 and one for 50:50 funding pattern and all NE and hill States have demanded for 90:10 sharing pattern.
- In view of the reduced fiscal space with centre, while Ministry recommended implementing the scheme on 50:50 basis. However, as regard committed liabilities, Ministry recomedned as follows:
 - To continue funding patter at 90:10 for works phase projects (4728 projects) for 2 years.
 - Projects sanctioned but in preparatory phase at 75:25 (3486 projects) for 3 years.
 - All new projects sanctioned from 2015-16 will be at 50:50 ratio.
 - To keep funding pattern at 90:10 for NE States.

C. Ministry of Water Resources:

Accelerated Irrigation Benefit Programme:

- Ministry pointed out that due to curtailment of budget, they are finding it difficult to honour the committed liabilities in the scheme.
- Ministry indicated that the scheme is critical for meeting development agenda in the country including Special Category States.
- Ministry recommended that the enhanced cost of land acquisition may be borne by the State Government and may be reimbursed as Central share, subject to timely completion of the project. On the other hand, in projects which are delayed the entire central grant may be treated as loan from Central Government which may be set off against central devolution.
- Ministry recommended that existing funding pattern for AIBP may continue.
- No new liability in the form of new projects to be created; States to prioritise the on-going projects.
- National projects, Inter-State projects, Projects benefitting Drought and Desert prone area may be given preference.
- NITI Aayog may suggest any other innovative measures and also supplement Budgetary support.

D. Department of Animal Husbandry, Dairying & Fisheries:

- The mandate of the Department of Animal Husbandry, Dairying & Fisheries includes development of requisite infrastructure for improving livestock production and productivity, prevention and control of livestock diseases through preventive vaccinations and

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strengthening of health care infrastructure, promoting infrastructure for handling, processing and marketing of milk and milk products and expansion of aquaculture, development of marine fisheries, post-harvest infrastructure, welfare of fisherman and livestock senses and statistics. The proposed allocation for animal husbandry sector of the 12th Plan is Rs.25, 639.24 crore, however, the actual allocation made is Rs.14,179.00 crore. The budget estimates for the animal husbandry sector for the year 2015-16 is Rs.1491.14 crore, decreased from Rs. 2,174 crore allocation of 2014-15. Three Centrally Sponsored Schemes of the Department are renamed in the budget 2015-16 as follows.

- Central sector: National Programme for Bovine Breeding and Dairy development
- State sector: Livestock Health and Disease Control (LH & DC) now renamed as veterinary services and animal health, National livestock mission.

- As regard funding pattern, Ministry, recommended that for National Animal Diseases Control Programme and National Animal Diseases reporting system and National project on Pest Surveillance and Monitoring may be kept at 100% as central share, in view of the fact that these programmes are centrally driven. Ministry was of the view that change in the funding pattern would make the scheme unattractive for the States whereas implementation of the schemes are in the national interest.

- Chief Minister of Madhya Pradesh enquired whether at all India level, there is sufficiency of demand for milk. It was informed that currently no demand constraint is being felt as excess milk was processed into milk powder for which there is a ready market. CM, Madhya Pradesh endorsed the view expressed by the Department that during calamities/lean seasons or during loss of crop, livestock resources play a crucial role in reducing the adverse impact of reduction in agricultural production.
- CEO, NITI enquired about the weightage of milk in inflation of food basket and it was informed that it is about 10-11% of the food basket

E. Ministry of Rural Development:

Major Flagship schemes of the Ministry of Rural Development are (i) MGNREGA: Guaranteeing 100 days of wage employment (ii) NRLM: Promoting National Rural Livelihoods Mission (iii) PMGSY: ensuring rural connectivity (iv) IAY: facilitating rural housing (v) NSAP: Providing social security.

MGNREGA: Under this scheme employment was provided to 5.62 Crore Households and it also resulted in an average increase in HHs income by around Rs. 6, 000 per year. As part of financial inclusion, 9.29 crore bank/postal accounts are opened and the scheme also resulted in the increase of purchasing power in rural areas.

Issue of Funding pattern: Central share: wages 100% and material 75%. State share: Material 25%. **There was no change in the funding pattern of MGNREGA schemes during 2015-16 budget and is listed in the list of Category-A schemes of the budget.**

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Issues raised by the Ministry:

- Inadequate budgets resulted in mismatch between demand and release
- Inefficiencies in fund flow: parking, delays in release at various levels.
- Checking corruption in execution
- Lack of coordination with sectors like agriculture etc.
- Weak improvement in quality of assets
- Inadequate technical manpower

Chief Minister of Madhya Pradesh opined that asset creation should be given more importance in the scheme.

Ministry was of the view that asset quality is an issue in the scheme and convergence with other Department is necessary for its proper implementation. It was also pointed out that currently the Scheme suffers from inadequate technical manpower and mentioned introduction of barefoot engineers.

National Rural Livelihood Mission:

- **NRLM scheme's main focus is poverty alleviation.** It was informed that existing funding pattern 75:25%.

- Ministry requested that there is a need to continue in existing funding pattern of 75:25 for all states except NE (90:10) and J&K (Himayat) 100%. It also recommended a special initiative for LWE affected districts

Pradhan Mantri Gram Sadak Yojana (PMGSY)

- Funding Pattern existing for PMGSY-I: 100% (Centre) and PMGSY-II: plain areas 75:25 and special areas 90:10. Total project cost of PMGSY is Rs. 33000 crore (Rs. 27000 cr centre and Rs. 6,000 cr. state). Ministry informed that States have been complaining regarding norms of the scheme.

Indira Awaas Yojana:

- Scheme for providing housing for the houseless families below poverty line. Funding pattern: existing 75:25%, 90: 10 in north eastern states and UTS 100%. Quantum of assistance provided under the scheme include Rs. 70,000 in plain areas and Rs. 75,000 in hilly /difficult/IAP areas. Ear marking 60% for SC/ST and 15% for minority and 3% for persons with disabilities.
- Ministry informed that most of the States request for periodical revision of the unit costs.

National social assistance programme:

- Eligibility and Assistance under National Social Assistance Programme: Indira Gandhi National old age pension scheme (IGNOAPS): Rs. 200 per month for old aged persons and aged 60 years and above. Indira Gandhi National widow pension scheme: Rs. 300 per month for widows aged 40-79 years. Indira Gandhi National disability pension scheme: Rs. 300 per

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- month for disabled aged 18-79 years. National Family benefit scheme: one time assistance of Rs. 20,000 on the death of primary breadwinner. Annapurna Scheme: provision of Rs. 10 kg food grains per month for the old age persons who could not be covered under old age pension. More than 3 crore beneficiaries are covered under NSAP.
- It was noted that provision in the scheme is very less person.

F. Ministry of Women and child development:

- Mandate of the department is to empower women and to nurture children.
- Category A schemes of the Ministry: IGMSY: category A: conditional cash transfers to pregnant and lactating women, in 53 districts. Ministry moved EFC proposal for the expansion of the scheme. Ministry was of the view that adequate resources are not provided in the budget 2015-16.
- ICPS: provides need based services for each child including child care institutions, emergency outreach (1098) and portal for missing children. ICPS includes Bal Suraksha/nutrition/trafficking of child/ child sex ratio/child sex abuse/juvenile homes etc. Ministry was of the view that more fund is required in the scheme.

- NNM: Framework for catalytic interventions, systematic strengthening, greater focus, monitoring, capacity building. Beti Bachao Beti Padhao, Mahila Suraksha, health nutrition etc.
- Category B schemes: ICDS: child (0-6) years development , package of 6 services – supplementary nutrition, ECCE, nutrition and health education, referral, immunization, check-ups. Now it is proposed for 50; 50 funding.
- Category D: Sabla: for adolescent girls, especially out of school.
- For both these schemes, Ministry sought a higher budgetary allocation.
- Ministry opined that the main focus of the Ministry is now Nutrition. Hon’ble CM, MP enquired about the Gender Budgeting. It was informed that Gender Budgeting is already in existence and Statement 20 of the expenditure budget volume –I provides the details regarding allocations made to the Women and child development schemes.

Ministry requested to have a look at the following issues of the Ministry in the Sub-Group.

- Reiterate common priority of women & children, with monitorable outcomes – for instance, on gender, child sex Ratio, nutrition.
- Formalize regular dialogue & interaction process between MWCD/States.
- Mobilize enhanced State resources for women and child issues.
- State plans to be reviewed with gender & child perspectives; similarly GOI to monitor plans and progress (including XIII Plan midterm appraisal) through the same [perspectives.
- Corporate social Responsibility, including PSU funds to focus on women and child issues.
- Collect, analyse gender disaggregated data, and project/disseminate, use to monitor progress.
- Place safety & security of women with highest priority.

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- Poverty Task Force to integrate concepts of gender and child poverty; social inclusion indices to factor in gender & child.
- Reinforce Beti Bachao, Beti Padhao through State policies for the girl child and women; & specific interventions such as property rights, affirmative action, 50% reservation for women in PRIs/ULBs.

G. Department of Health & Family Welfare:

(i) National Health Mission:

- The Ministry noted that in view of higher fund transfers to States, NHM outlay has been reduced in 2015-16. It also subsumes schemes on HR and Medical Education, and Tertiary Health Care scheme, with no allocation of funds.
- Current Funding pattern of NHM:- 75:25 for GCS and 90:10 for SCS. Ministry was of the view that investment in this sector need to be maintained.

(ii) National Aids Control Programme (NACP IV):

- It has been a 100% Centrally Sponsored Scheme since 2012.
- Now, being proposed to run with changed sharing pattern.

- BE for 20115-16 reduced.
- Ministry was of the view that unless adequate contribution is made by State Governments, the initiative may suffer for want funds.

H. Ministry of Urban Development:

Ministry is implementing one on going scheme namely JNNURM and three new schemes namely Swachh Bharat Mission, National Urban Rejuvenation Mission and Mission for 100 Smart Cities as Centrally Sponsored Schemes.

Issues:

- Funding pattern is yet to be decided for all the 3 new schemes.
- In case of JNNURM the committed liabilities in old pattern are of the order of Rs 6384 crore and in new pattern of Rs 3207 crore. However, in 2015-16 an outlay of Rs 24 crore only has been provided under JNNURM. Ministry recommended that committed liability should be met as the projects are stranded.
- As regard Swachh Bharat Mission, Ministry explained that already Centre Contribution is within the cap of 50% and hence no problem is envisaged in implementation of the scheme due to proposed cap of 50% of central share.

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I. Ministry of Drinking Water & Sanitation:

(i) Swachh Bharat Mission:

- It was informed that the scheme has two verticals Urban Sub-Mission (M/o UD) and Gramin Sub-Mission (M/o DWS). M/o DWS is the coordinating Ministry.
- Being an umbrella scheme, it consists of NRDWP and SBM.

(ii) Key Components:

- Goal to be achieved by 2nd October 2019.
- Freedom from open defecation.
- Appropriate Solid and Liquid Waste Management (SLWM).
- Emphasis on behavior change; community based approach as the preferred approach.
- Guidelines provide total flexibility to the States.
- Funding de-linked from MGNREGA.
- School and Anganwadi toilets to be done by M/o HRD and M/o WCD.
- Increased amount by Rs.2000/- for providing water availability, including for storing, hand washing and cleaning of toilets.

- States to utilize flexibility provided for local requirements.

(iii) Physical Targets and Fund Requirement:

- Latrines to be constructed: 11.11 crore.
- No. of Household Latrines to be constructed (1.20 cr in 2015-16; and 1.50 cr in 2016-17).
- Fund requirement (Rs. 14,000 cr. In 2014-15 and Rs. 18000 cr. In 2016-17).
- In addition, funds would also be required for SLWM, Community sanitary complex, IEC and Administration.
- Total fund requirement (Rs. 24563 cr in 2015-16 and Rs. 28785 cr in 2016-17).
- Current funding pattern 75:25 for GCS and 90:10 for SCS, except for Community Sanitary Complex where it is 60% Centre, 30% State and 10% beneficiary community.
- Proposed funding pattern 50:50; States should commit additional funds from FFC awards.
- Budgetary allocation for 2015-16 - Rs. 2625 cr.
- With this allocation of Rs. 2625 cr (50:50 Centre: State), only around 33 lakh household latrines can be constructed.

(iv) Issues and Challenges:

- Inadequacy of funds. Hence the Ministry recommended commitment of higher level of fund by States from FFC grants.
- Behavioural/ mindset issue.
- Collective attitudinal change more important than individual.
- Dearth of agencies for capacity building.
- Sanitation is a State subject and hence they must lead in implementation.

National Rural Drinking Water Programme:

Issues:

- Against total outlay of Rs.68,687 crore during 12th Plan, Ministry has received Rs.32,950 crores upto 2015-16, leaving a balance amount of Rs. 35,723 crore for 2016-17. However, expenditure upto 2014-15 has been Rs. 29,428 crore.
- Till 15.4. 2015, the progress in physical achievement stood at 3,67,214 in respect of partially covered habitations and 47,444 of quality affected habitations against targets of 2,25,000 and 67,000 respectively.
- Average allocation of grant to the States has been to the tune of Rs.10,000 till 2014-15 and with matching share of the States, the fund available under rural drinking water supply scheme worked out to Rs. 16, 500 crore per year.
- In 2015-16, allocation under NRDWP is only 25,00 crore and with proposed matching share at 50:50, the fund available would be Rs. 5,000 crore only, thereby leaving a gap of Rs. 11,500 crore.

Solution for filling the gap of funds:

- States may commit higher level of funds.
- Borrowing from World Bank,/ADB/ JICA.
- Funding from Swachh Bharat Cess.

J. Department of Elementary School Education & Literacy:

(i) Sarva Shikha Abhiyan:

- Ministry informed as follows:

12th Plan Targets:

- Universal access of elementary education to all children (6-14 yrs. age group).
- emphasis on equitable and inclusive elementary education.
- reduction in drop out rate to below 10% and out of school children to below 2%.
- eliminate enrolment gaps for girls, SCs/STs and enhancing level of learning.
- Cumulative achievement in creation of school infrastructure & facilities (completed & in-progress)i.e., primary/upper primary school buildings, additional class rooms, drinking water ant toilets, has been over 95% of the sanctions.
- Major pendency of civil works is in West Bengal, Bihar, Madhya Pradesh, Odisha and J&K.
- Improvement in toilet facilities, drinking water and student-classroom ratio.
- Number of teachers appointed was 15.91 lakh against sanctioned posts of 19.85 lakh.

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- Challenges remains on deployment of teachers and ensuring all facilities are functional.
- States with unfavourable pupil-teacher ratio (PTR) include Bihar (51), UP (38) and Jharkhand (39).
- If all sanctioned posts are filled the average pupil-teacher ratio will be 26 at the national level.
- Status of Gross Enrolment Ratio in 2013-14: Primary (101.36); Upper Primary (89.33).

Out of which:

- % of SC- Primary (19.88%); Upper Primary (19.41%).
- % of ST- Primary (11.09%); Upper Primary (9.73%).
- % of Minority- Primary (13.43%); Upper Primary (12.52%).
- % of Girls- Primary (47.7%); Upper Primary (48.66%).
- Positive Trend in reduction of Out of School Children: Total from 4.25 in 2009 to 2.9% in 2014.

- Annual average dropout rates declined from 9.4% in 2007-08 to 4.7% in 2013-14.
- In 41 districts of 11 states, drop-out rates are more than 15%. States include UP (13), Arunachal (7), Mizoram (7).
- Funding Pattern of SSA: 65:35 for GCS and 90:10 for SCS.
- Out lay for SSA reduced to Rs. 22,000 cr in 2015-16 BE from Rs. 24380 cr in 2014-15 RE.

(ii) **Mid Day Meal Programme:**

Quality initiatives taken:

- Guidelines on Food Safety and Hygiene issued.
- Replacement of Kitchen devices (in 6.87 lakh schools).
- No. of kitchen constructed (6.91 lakh).
- Testing of meals by accredited labs being encouraged.
- Awareness campaign on hand washing.
- ICT intervention in monitoring (MDM-MIS) introduced.
- Social Audit.
- Sharing good practices with States.
- Outlay for MDM reduced to Rs. 9,236.40 cr in 2015-16 BE from Rs.11,050 cr in 2014-15 RE.

(iii) **Rashtriya Madhyamik Shiksha Abhiyan:**

The scheme has five components:

- RMSA.
- ICT in Schools.
- Girls' Hostel.
- Inclusive Education for Disabled at Secondary Stage (IEDSS).

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- Vocational Education.
- Only 76% habitations have access to Secondary Schools.
- 12th Plan Target, Achievement and Projection.

(iv) **RMSA**

- Opening of new Schools: Target-11292; Achievement-10517; Projection for 2015-16 & 2016-17- 779.
- Strengthening of existing Schools: Target – 93912; Achievement-35702; Projection for 2015-16 & 2016-17- 58210.
- Appointment of Additional Teachers: Target-168307; Achievement-107286; Projection for 2015-16 & 2016-17-61021.

(v) **Setting up Girls' Hostel:** Target-3453; Achievement 2160; Projection for 2015-16 & 2016-17- 1293.

- (vi) **ICT intervention Coverage:** Target-All senior & secondary schools; Achievement-87096; Projection for 2015-16 & 2016-17- Remaining Schools.
- (vii) **IEDSS:** Target- All children with special need; Achievement-2.12 lakh in 2014-15; Projection for 2015-16 & 2016-17- Remaining Children.
- (viii) **Vocational Education:** Target- All states to be covered; Achievement-28 States covering 2035 schools, Projection for 2015-16 & 2016-17- All states to be covered.

12th Plan Allocation Rs.32846 cr.

- Fund Allocated so far Rs. 11611.46 (upto 2014-15).
- Fund allocated in 2015-16: Rs. 3565 cr.
- Funding Pattern: 75:25 for GCs and 90:10 for SCS.

The Ministry was of the view that in view of criticality of this sector, fund flows are required to be maintained.

Concluding remarks of Chief Minister, Madhya Pradesh were as under:

- The main objective of this meeting was to have comprehensive views of Central Ministries who are administering the flagship programmes/CSS. The discussions has been very fruitful
- Inputs received in this meeting would be suitably utilized to finalize the recommendation of the Sub-Group. CM MP emphasized that while making recommendations, the Sub-Group has to take a national perspective. He further stated that criticality of the Scheme in fulfilling national development objective is well recognized and it is imperative that as proposed by Central Ministries, requisite fund flow in these important sectors has to be maintained. He stated that Sub-Group would take a balanced view on the matter by taking into account the points mentioned by Central Ministries and requirements of the State Governments.

The meeting ended with vote of thanks to the Chair.

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Annexure-XIII

Additional Suggestions received from States

In course of its consultations with States and UTs and deliberation among members of the Group, following issues have been raised which while not within the ToR of this Group have important bearing on the ongoing effort to strengthen Cooperative federalism:

2. Most of the States stated that notwithstanding an increased devolution of 14th FC, they have been left worse off if the reduction in plan transfer in CSS and block grants are taken into account. They have also indicated that currently, there is no requisite clarity regarding these

transfers to individual States. States have requested that the overall impact of FC devolution + plan transfer under CSS and block grants should not be to their disadvantage.

3. Specifically some of the States have maintained that the horizontal equity in 14th FC grant has been altered to their disadvantage. They are of the view that their share in the FC grants, compared to their share in 13th FC grant have decreased. Citing weaker financial position, these states are opposed to any upward revision in State share in a Scheme.

4. The NE and Hilly States have stated that due to sudden discontinuation of Block grants like NCA, SCA and SPA they would face severe constraints. In their views, the 14th FC grants are unlikely to compensate them fully for discontinuation of aforesaid Block Grant. They request that funds for incomplete projects taken under block grants should be given as per earlier pattern.

5. Some of the States like Nagaland have stated that the status of Special Category States is accorded by the NDC and hence such status should be maintained.

6. In their view, States which are following a prudent fiscal policy but still have large requirements in improvement of development indicators should be given relaxation to raise their borrowing limits.

7. Jammu and Kashmir has listed many projects which needs to be expedited.

8. Nagaland has stated that since the NLCPR and NEC funds are essentially meant for NE States, there should not be any need for State's contribution of 10% in project cost. As per them this has given rise to several problems in execution of projects. Hence GoI funding in NEC and NLCPR funds should be 100%.

9. Some of the States have raised the issue of increasing fiscal deficit targets: The 14th Finance Commission has made the following recommendations in this regard:

"14.64 The fiscal deficit targets and annual borrowing limits for the States during our award period are enunciated as follows:

i. *Fiscal deficit of all State will be anchored to an annual limit of 3% of GSDP. The States will be eligible for flexibility of 0.25 percent over and above this for any given year for which the borrowing limits are to be fixed if their debt-GSDP ratio is less than or equal to 25 percent in the preceding year.*

ii. *States will be further eligible for an additional borrowing limit of 0.25 percent of GSDP in a given year for which borrowing limits are to fixed if the interest payments are less than or equal to 10 percent of the revenue receipts in the preceding year. "*

It is mentioned that, many States have demanded that the fiscal deficit limit should be raised from 3% of GSDP to 3.50%. Some States are facing difficulties in allocating resources required to meet their developmental activities. Hence additional borrowing limit is required for them. It is requested that Government of India takes an early decision in this regard to implement the recommendations of the 14th Finance Commission.

10. Following suggestion have been received from the Chief Minister, Government of Rajasthan regarding Finance Commission transfers:

“ The effect of non-adherence to the recommendation, as per section 7.43 of 14th FC Report has resulted in reduction of outlays for the States. Thus, Ministry of Finance may re-assess the total outlay to be made under the CSS in accordance with the letter and spirit of section 7.43 of the 14th FC Report.”

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11. Following suggestions have been received from the Chief Minister, Government of Uttar Pradesh:

(i) In the Report, a complete list of sectors covered under National Development Agenda along with all the Core of the Core Schemes and Core and Optional Schemes included under it, should be brought out.

(ii) Schemes relating to infrastructure development, poverty alleviation, and social development should be included under Core of the Core Schemes relating its existing funding

pattern. Therefore, schemes like RKVY, PMGSY, National Health Mission, SSA, MDM, AIBP etc., should be classified under Core of the Core schemes.

(iii) The Report recommends that the changed funding pattern of CSS will be effective from 2015-16. As insisted earlier, this should be made effective only from 2016-17.

(iv) The shortfall in Central Assistance to the state in central share of CSSs, occurring as a result of the recommendations of the Sub Group, may be “reimbursed” by the Central Government in any other form so there is no adverse impact on the ongoing development works undertaken by the State Government.