Report Summary

Report of the sub-group of Chief Ministers on rationalisation of Centrally Sponsored Schemes

- The sub-group of Chief Ministers on rationalisation of Centrally Sponsored Schemes (CSSs) submitted its report in November 2015. The sub-group was constituted by NITI Aayog in March 2015. It comprised of Chief Ministers of Arunachal Pradesh, Jammu and Kashmir, Jharkhand, Kerala, Manipur, Nagaland, Rajasthan, Telangana, Uttar Pradesh and the Lt. Governor of Andaman and Nicobar Islands.
- The Terms of Reference of the Group included: (i) examining the existing CSSs and recommending measures for ensuring their streamlined implementation with adequate flexibility, (ii) suggesting reforms in the schemes which have been continued as CSSs in the 2015-16 Budget, in light of the 14th Finance Commission recommendations, and (iii) recommending appropriate measures for coordination between the centre and the states and among states for achieving the objectives of various schemes. Key recommendations made by the sub-group include:
- **Restructuring of schemes**: The existing 66 CSSs should be restructured and reduced to a maximum of 30 schemes. In every sector, there should be one consolidated umbrella scheme. The existing CSSs should be classified into core and optional schemes. Implementation of core schemes should be mandatory. States may choose the optional schemes that they wish to implement. Schemes for social protection and social inclusion should be at the 'core of the core' schemes.
- **Allocation of funds:** The Ministry of Finance would make scheme-wise allocations for the core schemes. Funds for the core schemes may be allocated in the Demand for Grants of the concerned Ministries. For optional schemes, the funds will be allocated to states as a lump sum amount. The criteria for allocation of funds to states for core and optional schemes should be transparent. NITI Aayog will develop these criteria in consultation with the relevant central and state ministries.
- **Fund sharing pattern:** There should be no CSS with less than 50% fund share from the central government. The fund sharing pattern between the centre and states for the 'core of the core' schemes will remain unchanged. For all other schemes, the following fund sharing pattern has been proposed:

Table 1: Fund sharing pattern for core and optional schemes in different states

States	Core schemes	Optional schemes
North Eastern states	90:10	80:20
Himalayan states	90:10	80:20
All other states	60:40	50:50
Union Territories	Funded entirely by centre	Funded entirely by centre

Note: North Eastern states include the states of Arunachal Pradesh, Assam, Meghalaya, Manipur, Mizoram, Nagaland, Sikkim and Tripura. Himalayan states include the states of Himachal Pradesh, Jammu and Kashmir, and Uttarakhand.

- **Release of funds:** The funds may be authorised to a state on financial year basis but the actual release of cash would be on a quarterly basis. In addition, it was recommended that all funds for a financial year should be released before January.
- **Monitoring of CSS:** NITI Aayog will jointly monitor schemes along with the central and state ministries. It should also undertake independent evaluation of the schemes. A Standing Committee will be constituted to this effect, and it will be chaired by the Chief Executive Officer of NITI Aayog. Each state or union territory (UT) will also nominate a senior government officer to this Committee.
- **Flexi-funds:** 25% of the central allocation to any scheme in the case of states and 30% in the case of UTs should be in the form of a flexi-fund. This fund would be spent according to guidelines issued by the Ministry of Finance. This is to ensure that states have flexibility in the choice of components, design and implementation of schemes.
- **Incomplete projects:** All projects which began in 2014-15 and for which funds were awarded until March 31, 2015 should be funded under the existing pattern until March 2017. If these projects remain incomplete even after March 2017, states would have to complete them using their own funds.

Roopal Suhag
roopal@prsindia.org

January 4, 2016

Roopal Suhag **January 4, 2015**
roopal@prsindia.org