Planning Commission
(Plan Coordination and Management Division)

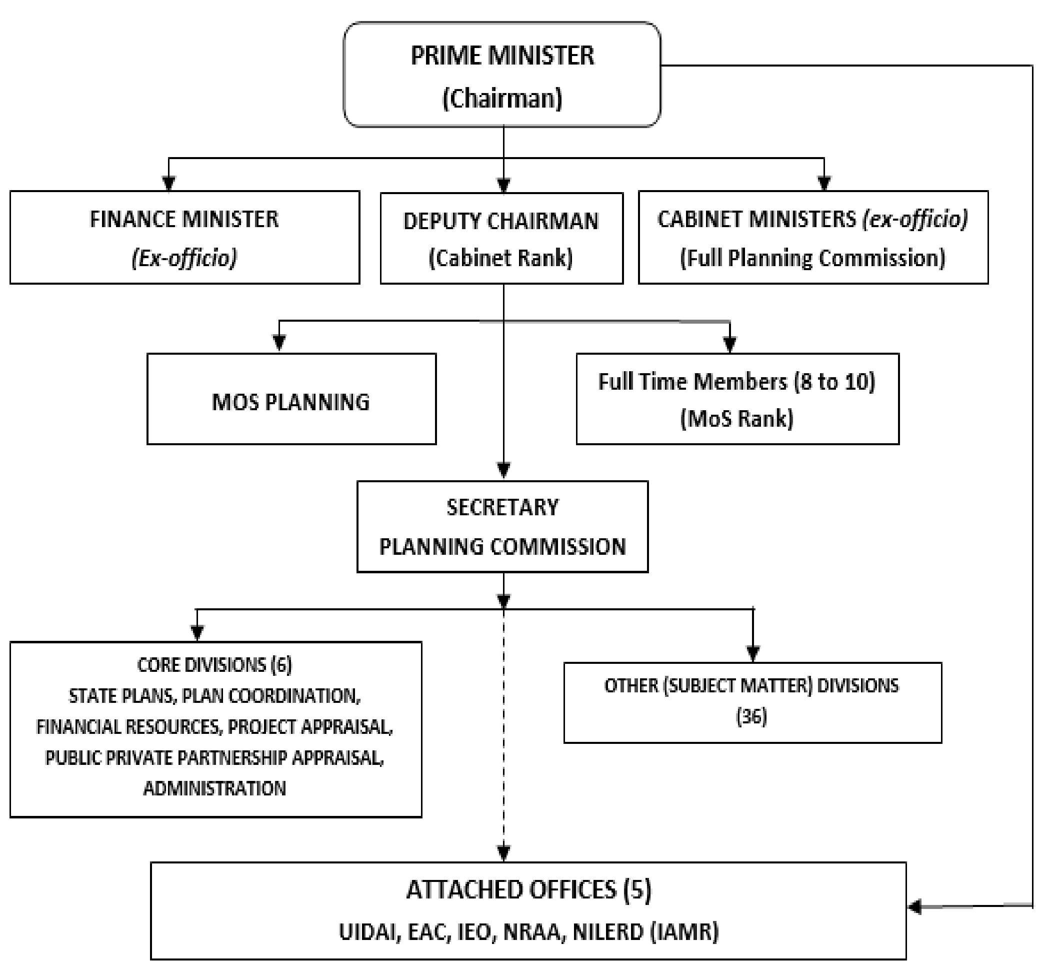
Background information on Planning Commission

1. Planning Commission was constituted in pursuance of an announcement made by the Finance Minister in the Budget Speech on 28th February, 1950 by means of a Government of India Resolution. The Resolution, inter alia, mandated the Commission to strive to further the principles of policy enshrined in Article 39 of the Constitution (Directive Principles of State Policy). A copy of the Resolution is at **Annexure-I.**

2. The roles and responsibilities of the Planning Commission were subsequently included in the Allocation of Business Rules, 1961 (framed under Article 77 (3) of the Constitution) whereby Entry 49 relates to Planning Commission and lists over a dozen functions and charge of attached offices of UIDAI and National Rainfed Area Authority, Economic Advisory Council and Institute of Applied Manpower Research. A copy of the Allocation of Business Rules, 1961 is at **Annexure-II.**

Current structure of Planning Commission

3. The present structure places the Planning Commission with the Prime Minister as Chairman, a Minister in charge to transact its business and a Deputy Chairman with Cabinet rank and full time Members of MOS rank and a "Full" Planning Commission with Cabinet Ministers as ex-officio Members.



4. In the earlier structure the government also constituted the "Full" Planning Commission comprising Cabinet Ministers in their ex-officio capacity from time to time. Finance Minister and Minister for Planning have invariably been ex-officio members of the Commission since its inception.

5. In addition, full time Members of the Commission ranged varyingly between 6 to 11 or 12. The selection of full time Members is based on their expertise, background and the priorities of the Plan. The term of the full time Members was usually co-terminus with that of the Government and they have been given salary, allowances, rank and status of Ministers of State.

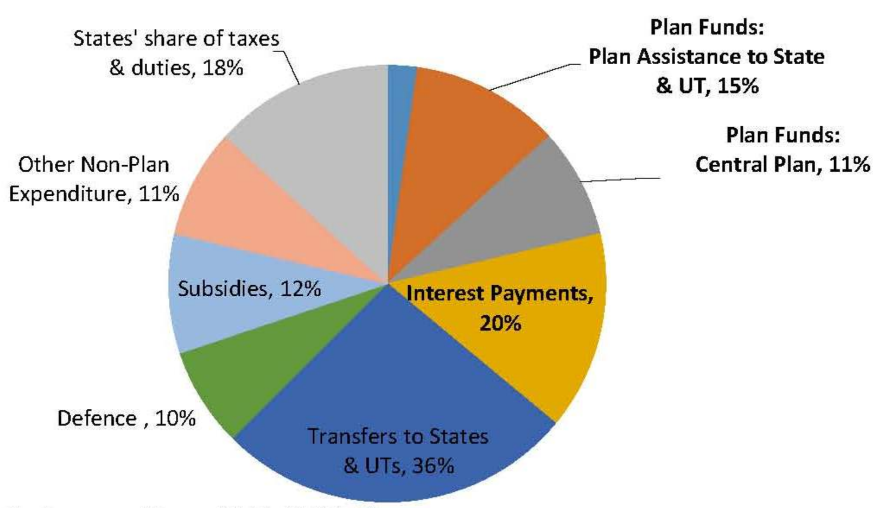
Functions:

6. Broadly, in accordance with the Allocation of Business Rules, the present Planning Commission was performing following broad functions:

a. Formulation of 5 Yr Plans, setting of economic growth targets, goals and strategies to achieve them.
b. Interaction with the States which include discussion of State Plans and recommendation regarding allocation of Central assistance to the State Plans, input in formulation of Centrally Sponsored Schemes.
c. Recommendation of allocation for Central Sector schemes
d. Appraisal of large projects, schemes including PPP projects.
e. Infrastructure target setting and monitoring key sectors, resolving Inter-Ministerial Problems and providing an integrative role in policy formulation,
f. Secretariat to NDC
g. Advice on important economic policy matters, including proposed policy and performance
h. Evaluation of programmes

Allocation of Central Plan assistance to States: Current arrangement

7. As per the union budget 2014-15, about 26% of the budget is Plan budget the balance being non-plan budget. Of this, about 15% is allocated to States as central assistance to State plans and balance about 11% is retained with Centre as budgetary provision for Central Sector schemes and programs.



Source: Budget at a Glance 2014-15 [MoF]

8. As stated above, Out of the total budgetary resources of Rs. 21.77 lakh cr in the Union budget, the plan funds are Rs. 5.75 lakh cr which is about 26% of the total budgetary resources. The Plan funds are sub-divided as follows:

- Central Sector Schemes (41% of the total plan funds) which is allocated to 70 Ministries/Departments of Central Government.

- Central Assistance to State plans (59% of the total plan funds). This 59% of the Plan fund is further divided into following two broad sub-heads:

  i) Centrally Sponsored Schemes (44% of the Plan fund, allocated to 33 Ministries and Department from where they are further transferred to the States by the Ministries as per scheme guidelines.)

  ii) Block Grants to State (15% of the plan fund). The block grants include:

  a) Normal Central Assistance based on Gadgil Mukherjee formula. A note on Gadgil Mukherjee formula is at Annex-III.

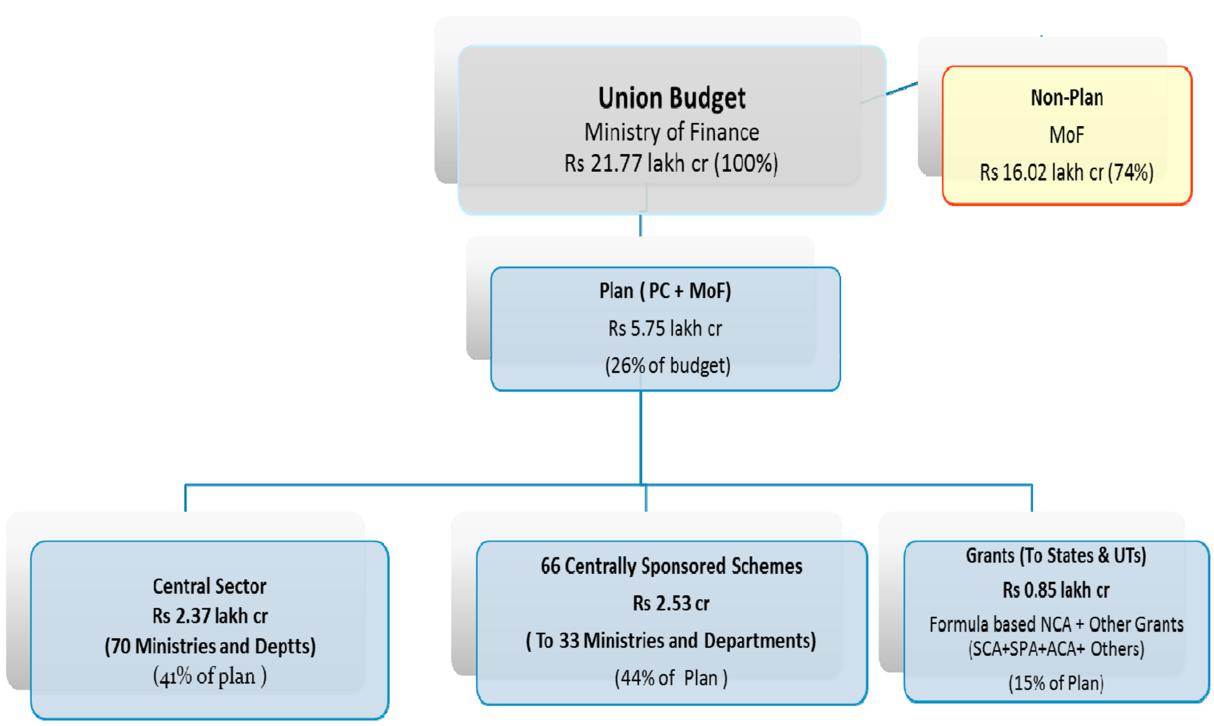
  b) Special Central Assistance:

  c) Special Plan Assistance:

  These are specifically for 8 North Eastern States + Himachal Pradesh+ J&K and Uttrakhand

  d) One Time Additional Central Assistance for meeting 30% o fthe project cost in 18 States.

9. The overall arrangement of budgetary flows may be seen as follows:



Centrally Sponsored Schemes:

10. Currently, out of tital central assistance to State Plan, about 75% of fund is routed through Centrally Sponsored Schemes. These Schemes, which ordinarily cover the subject matters enumerated in State /concurrent list, and though formulated and largely funded by the Central Ministries, are implemented by the State Governments are called as Centrally Sponsored Schemes. A large number of these schemes are being operated in Social sector.

11. Based on the demand for their restrcuturing to remove difficulties faced by the States and to improve their efficicency, in 2013, the Planning Commission proposed their restrcuturing which was approved by the Govenrment. A note on the CSS and various provisions made for their retructuring is enclosed at Annexure-IV.

Annexure I

<u>Government of India's Resolution setting up the Planning Commission</u>

Government of India, Cabinet Secretariat
Resolution (Planning)

New Delhi, the 15th March, 1950

No.1-P(C)/50 - For some years past, the people of India have been conscious of the importance of planned development as a means of raising the country's standard of living. This consciousness found expression in the appointment in 1938 of the National Planning Committee by the Indian National Congress. The work of the Committee was, however, interrupted by political and other developments in the beginning of the war, although much useful material has since been published. In 1944, the Government of India established a separate Department of Planning and Development and at its instance, the Central as well as the Provincial Governments prepared a number of development schemes to be undertaken after the war. Problems of planning were reviewed towards the end of 1949 by the Advisory Planning Board which was appointed by the Interim Government of India, an important recommendation of the Board being the appointment of a Planning Commission to devote continuous attention to the whole field of development, so far as the Central Government was concerned with it.

2. During the last three years, the Centre as well as the Provinces have initiated schemes of development, but experience has shown that progress has been hampered by the absence of adequate co-ordination and of sufficiently precise information about the availability of resources. With the integration of the former Indian States with the rest of country and the emergence of new geographical and economic facts, a fresh assessment of the financial and other resources and of the essential conditions of progress has now become necessary. Moreover, inflationary pressures inherited from the war, balance of payments difficulties, the influx into India of several million persons displaced from their homes and occupations, deficiencies in the country's food supply aggravated by partition and a succession of indifferent harvests, and the dislocation of supplies of certain essential raw materials have placed the economy under a severe strain. The need for comprehensive planning based on a careful appraisal of resources and on an objective analysis of all the relevant economic factors has become imperative. These purposes can best be achieved through an organization free from the burden of the day-to-day administration, but in constant touch with the Government at the highest policy level. Accordingly, as announced by the Honourable Finance Minister in his Budget speech on the 28th February, 1950, the Government of India have decided to set up a Planning Commission.

3. The Constitution of India has guaranteed certain Fundamental Rights to the citizens of India and enunciates certain Directive Principles of State Policy, in particular, that the State shall strive to promote the welfare of the people by securing and protecting as effectively as it may a social order in which justice, social economic and political, shall inform all the institutions of the national life and shall direct its policy towards securing, among other things:-

(a) that the citizens, men and women, equally, have the right to an adequate means of livelihood;

(b) that the ownership and control of the material resources of the community are so distributed as best to subserve the common good; and

(c) that the operation of the economic system does not result in the concentration of wealth and means of production to the common detriment.

4. Having regard to these rights and in furtherance of these principles as well as of the declared objective of the Government to promote a rapid rise in the standard of living of the people by efficient exploitation of the resources of the country, increasing production, and offering opportunities to all for employment in the service of the community.

The Planning Commission will:-

1. make an assessment of the material, capital and human resources of the country, including technical personnel, and investigate the possibilities of augmenting such of these resources as are found to be deficient in relation to the nation's requirements;

2. formulate a Plan for the most effective and balanced utilisation of the country's resources;

3. on a determination of priorities, define the stages in which the Plan should be carried out and propose the allocation of resources for the due completion of each stage;

4. indicate the factors which are tending to retard economic development, and determine the conditions which, in view of the current social and political situation, should be established for the successful execution of the Plan:

5. determine the nature of the machinery which will be necessary for securing the successful implementation of each stage of the Plan in all its aspects;

6. appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend the adjustments of policy and measures that such appraisal may show to be necessary; and

7. make such interim or ancillary recommendations as appear to it to be appropriate either for facilitating the discharge of the duties assigned to it, or on a consideration of the prevailing economic conditions, current policies, measures and development programmes; or on an examination of such specific problem as may be referred to it for advice by Central or State Governments.

5. The Planning Commission will be composed of the following:

Chairman : Shri Jawaharlal Nehru

Deputy Chairman: Shri Gulzarilal Nanda

Members: Shri V.T. Krishnamachari

Shri Chintamani Deshmukh

Shri G.L. Mehta

Shri R.K. Patil

Secretary : : Shri N.R. Pillai

Deputy Secretary : Shri Tarlok Singh

6. The Planning Commission will make recommendations to the Cabinet. In framing its recommendations, the Commission will act in close understanding and consultation with the Ministries of the Central Government and the Governments of the States. The responsibility for taking and implementing decisions will rest with the Central and the State Governments. The Government of India feel confident that the States will give the fullest measure of help to the Commission, so as to ensure the maximum coordination in policy and unity in effort.

7. The work of the Planning Commission will affect decisively the future welfare of the people in every sphere of national life. Its success will depend on the extent to which it enlists the association and cooperation of the people at all levels. The Government of India, therefore, earnestly hope that in carrying out its task the Commission will receive the maximum support and goodwill from all interests and in particular, from industry and labour.

8. The headquarters of the Commission will be at New Delhi.

Annexure II

RASHTRAPATI BHAVAN NEW DELHI
January 14,1961 /Pausa 24, 1882(S)

ORDER

THE GOVERNMENT OF INDIA (ALLOCATION OF BUSINESS) RULES

In exercise of the powers conferred by clause (3) of article 77 of the Constitution and in supersession of all previous rules and orders on the subject the President hereby makes the following rules for the allocation of the business of the Government of India.

1. Short Title - These rules may be called the Government of India (Allocation of Business) Rules, 1961.

2. Allocation of Business - The business of the Government of India shall be transacted in the Ministries, Departments, Secretariats and Offices specified in the First Schedule to these rules (all of which are hereinafter referred to as "departments").

3. Distribution of Subjects -

(1) The distribution of subjects among the departments shall be as specified 1# [1]in the Second Schedule to these Rules and shall include all attached and subordinate offices or other organisations including Public Sector Undertakings concerned with their subjects and Sub-rules (2), (3) and (4) of this Rule.

(2) The compiling of the accounts of each Department shall stand allocated to that Department with effect from the date from which the President relieves, by order made under the first proviso to sub-section (1) of Section 10 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971; the Comptroller and Auditor General from the responsibility for compiling the accounts of that Department.

(3) Where sanction for the prosecution of any person for any offence is required to be accorded-

a) If he is a Government servant, by the Department which is the Cadre Controlling authority for the service of which he is a member, and in any other case, by the Department in which he was working at the time of commission of the alleged offence;

b) If he is a public servant other than a Government servant, appointed by the Central Government, by the Department administratively concerned with the organisation in which he was working at the time of commission of the alleged offence; and

c) In any other case, by the Department which administers the Act under which the alleged offence is committed;

Provided that where, for offences alleged to have been committed, sanction is required under more than one Act, it shall be competent for the Department which administers any of such Acts to accord sanction under all such Acts.

[1] Substituted by 116th Amendment of the "Rules" on 29th March, 1976.
sub-para 3(1) substituted and sub-paras 3(3) and 3(4) inserted by 187th Amendment of the "Rules" on 30th September, 1986.

(4) Notwithstanding anything contained in sub-rule (3), the President may, by general or special order, direct that in any case or class of cases, the sanction shall be by the Department of Personnel and Training.

4. Allocation of Departments among Ministers -

(1) The business of the Government of India allocated to Cabinet Secretariat is and, shall always be deemed to have been, allotted to the Prime Minister. ($)[2]

(2) Subject to the provisions of sub-rule (1), the President may, on the advice of the Prime Minister, allocate the business of the Government of India among Ministers by assigning one or more departments to the charge of a Minister.

(3) Notwithstanding anything contained in sub-rule(1) or sub-rule(2), the President may, on the advice of the Prime Minister -

(a) associate in relation to the business allotted to a Minister under either of the said sub-rules, another Minister or Deputy Minister to perform such functions as may be assigned to him; or

(b) entrust the responsibility for specified items of business affecting any one or more than one Department to a Minister who is in charge of any other Department or to a Minister without Portfolio who is not in charge of any Department.

RAJENDRA PRASAD
PRESIDENT

($) Substituted by 87th Amendment of the "Rules" on 26th October, 1970. *# Substituted by 271 Amendment of the "Rules" on 6th January,2004.

PLANNING COMMISSION (YOJANA AYOG)

1. Assessment of the material, capital and human resources of the country, including technical personnel, and formulation of proposals for augmenting such of these resources as are found to be deficient.

2. Formulation of Plan for the most effective and balanced utilisation of the country's resources.

3. Definition of stages in which the Plan should be carried out on a determination of priorities and allocation of resources for completion of each stage.

4. Determination of the nature of the machinery necessary for the implementation of the Plan in all its aspects.

5. Identifying the factors which are tending to retard economic development and determine the conditions which, in view of current social and political situation, should be established for the successful execution of the Plan.

6. Appraise from time to time the progress achieved in the execution of each stage of the Plan and recommend adjustment of policies and measures that such appraisal may show to be necessary.

7. Public Co-operation in National Development.

8. Specific programmes for area development notified from time to time.

9. Perspective planning.

10. Institute of Applied Manpower Research.

11. The overall coordination of the Pradhan Mantri Gramodaya Yojana.

Note: The overall coordination of the Pradhan Mantri Gramodaya Yojana (PMGY) will be the responsibility of the Planning Commission. However, overall management and monitoring of the individual sectoral programmes under PMGY will be the responsibility of the concerned nodal Ministry/Department.

12. Unique Identification Authority of India (UIDAI) -

(a) Policy, planning and implementation of Unique Identification Number (UID) for residents in India and all matters related to it.

(b) Unique Identification Authority of India (UIDAI) and connected matters.

13. All matters relating to National Rainfed Area Authority (NRAA).

Annexure -III

A Background Note on Gadgil-Mukherjee Formula for distribution of Normal Central Assistance for State Plans:

Prior to the Fourth Five Year Plan, the allocation of Normal Central Assistance (NCA) to the State Plans was based on schematic pattern and there was no definite formula for allocation. In view of the general demand for an objective and transparent formula for allocation of Normal Central Assistance for State Plans, a formula known as Gadgil Formula was evolved in 1969, which was adopted in its original form for distribution of Central Plan assistance during Fourth and Fifth Five Year Plans.

This formula was modified in 1980 and the modified formula became the basis of allocation of Normal Central Plan assistance to States in Sixth and Seventh Five Year Plans. The formula was again revised in 1990 and formed the basis for allocation of Central assistance for 1991-92 only. Following representations, the formula was further revised in 1991. The Gadgil Formula (1991) has been in operation since the Eighth Plan period. However for comparison purposes all the 4 formulae with criterion and weight in respect of distribution among General Category States are given at the **Appendix I**.

Gadgil-Mukherjee Formula (1991)

The formula is known as *Gadgil-Mukherjee Formula*. The main features of the formula are the following:

I. From the total Central assistance, set apart funds required for externally aided schemes.

II. From the balance, provide reasonable amounts for Special Area Programmes viz.

(a) Hill Areas
(b) Tribal Areas
(c) Border Areas
(d) N.E.C.
(e) Other Programmes

III. From the balance (which is known as Normal Central Assistance), give 30% to the Special Category States.

IV. Distribute the balance (remaining Normal Central Assistance) among the General Category States as per the following criteria and weights.

Criteria	**Weights (%)**
1. Population (1971)	60
2. Per Capita Income	25
a) 'Deviation' method-covering States with per capita SDP below the national average	*20*
b) Distance method-covering all States	*5*
3. Performance	7.5
a) Tax effort	
b) Fiscal Management, and	
c) Progress in respect of national objectives	
4. Special Problems	7.5

Under the criterion of the progress in respect of national objectives, the approved formula covers four objectives viz., (i) population control and maternal and child health; (ii) Universalisation of primary education and adult education; (iii) on-time completion of externally aided projects; and (iv) success in land reforms. Weights assigned separately for each of these within the overall weight of 7.5 percent for performance is as under: -

	Items		Weights
a)	Tax effort		2.5%
b)	Fiscal management		2.0%
c)	National Objective		3.0%
	i) Population control	1.0%	
	ii) Elimination of illiteracy	1.0%	
	iii) On-time completion of Externally Aided projects	0.5%	
	iv) Land Reforms	0.5%	

In respect of Special problems, there was no specific criterion, and it was left to the Planning Commission to use its discretion in the allotment.

Details in regard to working out individual share of States in regard to population, income criteria and performance are as under:

1. Population Criterion

60% weight is given to population. The population as per 1971 Census is taken into consideration. **1971 population has been adopted on the basis of a Statement of Policy issued in June 1977**. Each of the 17 states is given Central assistance in proportion to the share of its population to total population.

2. Per Capita Income Criteria

25% weight has been assigned to this criterion. This has two components namely 20% on the basis of Deviation criterion, and 5% on Distance criterion.

(a) Deviation criterion - weight 20%

The States are identified on the basis of per capita comparable State domestic Product compared to the corresponding national average. The States, which are below national average, are identified and 20% of the assistance is exclusively allotted to them. 1% band is also permitted so that a State with per capita SDP higher than the national average but within one percent variation (upper side) from the national average is also given the benefit of being within the group of States below national average. For the purpose of calculating the per capita SDP, an average of per capita SDP for the latest three years for which actuals are available is taken into consideration. The C.S.O. has been entrusted with the task of providing comparable net per capita SDP of the States. For 2014-15, the relevant years are 2008-09 to 2010-11. Once the States are identified then relative weights are determined on the basis of distance of per capita income of a State from the per capita income of the State, which has the highest per capita income. For calculation purpose, income of Haryana has been adopted for 2014-15. Though Goa has higher income, it was not taken because of its small size and substantial difference from other States. These values were multiplied with 1971 population of each State. The product, so derived of each State is divided by the total product and multiplied by the population.

(b) Distance Method – Weight 5%

In this case, the comparable per capita State Domestic Product prepared by C.S.O. as in the case of Deviation Method is used. The distance of per capita income of each state from per capita income of that State which has the highest per capita income, is measured. These values were multiplied with the population of each State. The percentage share of each State is obtained by dividing the product so arrived by the total products and multiplied by 100. Haryana and Goa have been assigned in 2014-15 a weight equal to the weight of that State, which has the next highest per capita income i.e. Maharashtra.

An important point to be noted is that in both Deviation and Distance method, the distance from the highest per capita income, to the per capita income of each State is measured to arrive at the share of each State. In the case of deviation method, deviation from the National average has been used to identify the States eligible for allocation of assistance of 20%.

3. Performance Criteria

1. Tax Effort

The basis of the criterion is the tax-SDP ratio of a State. The ratios are calculated based on the annual average tax receipts and comparable SDP of the State for the latest 3 consecutive years. After computing the tax-SDP ratio, the share of each State is arrived at by converting the total of these percentages to 100. For 2014-15 data relating to 2008-09 to 2010-11 were used.

2. Fiscal Management

The criterion is based on the difference between State's Own Resources (comprising of BCR, ARM, contribution of public enterprises, small savings excluding UTI loans, Provident Funds, Miscellaneous Capital Receipts (Net), adjustment of opening/ closing balance) as provided in the financing pattern approved for the State plan outlays and the actuals. A time period of 5 years (latest available) is taken into consideration. More precisely, the steps involved in the calculation for determining the share of each State are:
(i) the difference between the State's own resources as per the Annual Plan estimate and the actual is calculated as percentage of the Annual Plan estimate of State's own resources, (ii) the distance of each state from the lowest performance is calculated; and (iii) the share of each State is derived as percentage of the total distances. The lowest rate is also given a weight equivalent to the State, which is nearest to it. Data relating to 2009-10 to 2013-14 were used for determining the share in 2014-15.

3. Population Control

The criterion to be adopted is the difference between the desired performance and actual performance in relation to birth rate and infant mortality rate (IMR). The desired performance rate is calculated as the difference between the goal to be achieved by 2007 AD and the actual rate of the base year divided by the remaining number of years. In this method, the difference between the desired performance rate and the actual is worked out for each State and the distance of each State from the lowest performing State is calculated. The lowest performing State is given a value equal to the next lowest State.

The States, which have accomplished the goal, are given the value equal to the next best performing State. These values are converted into percentages to the total to determine the share of each State in the distribution. The methodology of calculation is the same for birth rate and IMR. Since both the considerations are given equal weight, the average of the two shares is calculated for each State and this determines its share in the total distribution. For the year 2014-15 data relating to 2011 and 2012 were used.

4. Elimination of Illiteracy

The indicator in this case is the performance relating to female literacy. We have chosen female literacy, as this focuses on an important segment of the population, which needs special attention. The factors taken into consideration are the female literacy rate in 2011 and the decennial growth rate of female literacy during 2001-2011. In case of female literacy rate, the share of each State is determined as a proportion of each State's performance to the total of all States. A similar method is followed with respect to decennial growth rate of female literacy. Since both the considerations are given equal weight, an average of the two shares is calculated for each State and this determines its share in the total distribution. For determining the share for 2014-15, the female literacy rate 2011 and Decennial growth 2001-2011 were used.

5. On-time Completion of Externally Aided Projects

This criterion takes into account available finance in the year for externally aided projects (EAPs) as indicated by the Ministry of Finance in the Revised Estimates and the actual utilization. In this method, the utilization of external aid as a percentage of AP allocations for each State as indicated in the Revised Estimates for the latest year for which information is available is calculated. These ratios are converted as percentages to the total, which give the shares of individual States. For the year 2014-15, releases under EAPs for the year 2012-13 of Ministry of Finance were used.

6. Land Reforms

The criterion for land reforms takes into account two indicators, namely area distributed as a percentage of surplus land declared by the State and area distributed by a State as a percentage of total area distributed by all States. Both are assigned equal weights. The share of each State under each indicator is determined on the basis of each state's percentage to the total of all States. Since both the considerations are given equal weight, an average of the two shares is calculated for each State and this determines its share in the total distribution. For 2014-15 data of 2013 were used.

Appendix-I

Criteria and Weights for Allocation of Normal Central Assistance (NCA) for States' Plan

Table 1: Allocation of 30% share (loan plus grants) among Special Category States (SCS)

A.	**Criteria**	**Original Gadgil Formula (1969)**	**Modified Gadgil formula (1980)**	**NDC Revised Formula (1990)**	**NDC Revised Formula (1991)**
	Special Category St ates	30% share for three States	30% share for eight States	30% share for ten States	30% share for ten States from 1991 and 11 States from 2001
The inter se distribution of the total amount set apart for Special Category States is done on the basis of the respective shares that have been used in the past. For several years now, there has been no change in the shares of each State.					

Table 2: Allocation of 70% share (loan plus grants) among General Category States (GCS)

B	**Criteria**	**Original Gadgil Formula (1969)**	**Modified Gadgil formula (1980)**	**NDC Revised Formula (1990)**	**NDC Revised Formula (1991)**
(i)	Population (1971 Census)	60%	60%	55%	60%
(ii)	On-going major irrigation & power projects	10%	0%	0%	0%
(iii)	**Per Capita Income**	**10%**	**20%**	**25%**	**25%**
	OF WHICH				
(a)	According to the deviation method covering only the States with per capita income below the national average	10%	20%	20%	20%
(b)	According to the distance method covering all the fifteen States	0%	0%	5%	5%
(iv)	**Performance**	**10%**	**10%**	**5%**	**7.5%**
	OF WHICH				
(a)	Tax Effort	10%	10%	0%	2.5%
(b)	Fiscal Management	0%	0%	5%	2%
(c)	National Objectives	0%	0%	0%	3%
	1.Population Control	0%	0%	0%	1%
	2.Elimination of Female Illiteracy	0%	0%	0%	1%
	3.On-time completion of externally-aided projects	0%	0%	0%	0.5%
	4.Success in land reforms	0%	0%	0%	0.5%
(v)	Special Problems	10%	10%	15%	7.5%
	TOTAL	**100%**	**100%**	**100%**	**100%**

Note Prior to Fourth Five Year Plan (i.e. 1969-74) allocations varied from scheme to scheme. There was no formula as such for allocation of Central Assistance for States' Plan.

Annex-IV

PLANNING COMMISSION
(Plan Coordination and Management Division)

Note on Restructuring Centrally Sponsored Schemes (CSSs)

Plan Schemes implemented by Government of India may be broadly classified into two categories:
A) Schemes which are implemented by the Central Ministries called ‘Central Sector’ Schemes.
B) Schemes funded with Gross Budgetary Support that are implemented through the State Governments. These schemes are called **Centrally Sponsored Schemes (CSS)**. Relatively, large fund flows to States take place under these schemes. In 2013-14, central budgetary release to the States through these 66 schemes was Rs. 2.10 lakh cr. In 2014-15 budgetary provision for these 66 schemes is Rs.2.52 lakh crore. Presently there are 33 Ministries/ Departments that are implementing CSSs.

02. The 12th plan has recommended restructuring of CSS as a major governance reform. For some time now, State Governments have been asserting that one size fits all’ approach was not tenable and demanded that CSS should be restructured so that they can get more flexibility in implementing the Schemes. Secondly, they have been demanding that assistance under these schemes should flow to the Consolidated Fund* of the State to ensure accountability to the state legislature and the releases in the schemes should be made more predictable to enable efficient planning and projection of outcomes.

03. In June 2013, Planning Commission, after extensive consultations, proposed a major restructuring of CSS which was subsequently approved by the Government. The major elements of the re-structuring were 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.

Footnote:

*The Rangarajan Committee on Rationalization of Public Expenditure observed that almost 33% of Plan transfers to the States were to sub-State entities (like District Health Societies) and bypassed the State legislatures.

(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.

Flagship CSS

04. In the first two years of the 12th plan, i.e. 2012-13 and 2013-14, in terms of actual release of central assistance to the States, the position is as follows:

Schemes	**Central release (in Rs. cr) (2012-13)**	**Central release (in Rs. cr) (2013-14)**
17 flagship schemes	1,68,301	1,75,940
49 remaining schemes	29,393	34,149
Total	**1,97,694**	**2,10,089**

The table shows that in terms of release, 49 schemes account for only 15% of the total release in CSS.

05. 17 flagship schemes account for more than 80% of budgetary provisions of all 66 CSS., thereby implying that the balance 49 CSSs are very small. Besides a large number of such CSS are being implemented in few States as may be seen from the table below:

Releases	
Schemes having release	**Number of Schemes**
less than Rs. 200 crores	15
Rs. 200-500 crores	14
Rs. 500 - 1000 crores	10
More than Rs. 1000 crores	10
Total	49

Geographical Spread	
States Implemented	**Number of Schemes**
Less than 10 States	8
in 10-15 States	3
in 15-20 States	10
in 20-25 States	7
More than 25 States	21
Total	49

Implementation Status of restructuring

06 **Operationalization of flexi-funds Guidelines**: for operationalization of flexi-funds were prepared by Planning Commission in consultation with Department of Expenditure which has since issued them on January 6, 2014. A defining feature of these guidelines is that the decision to spend the flexi-funds component rests with the State Government provided that the activities/project undertaken should be for the realisation of the broad objectives of the concerned Scheme. These guidelines have been made operational from the current financial year (2014-15).

07 Introduction of State Specific Guidelines: An Inter-Ministerial Committee (IMC) co-chaired by Secretary Planning Commission and Secretary, Department of Expenditure and comprising Secretary of the line Ministry as well as Chief Secretary of the concerned State is to consider proposals of the State Government for introduction of such guidelines. Subsequently, the Commission invited proposals from State Governments. So far a large number of States have responded and the suggestions made by them is under examination.
