

CHAPTER-III**CURRENT SCENARIO**

5.1 Following the recommendations of the Expert Group, which had submitted its Report in 2006, the Centrally Sponsored Schemes (CSS) were reduced to 82. However, subsequently 59 new CSS have come up. Following Table indicates the developments in the last decade:

CENTRALLY SPONSORED SCHEMES

Year	CSS		Central Assistance to State Plans (Rs. crore)
	No.	BE (Rs. crore)	
2002-03	188	31,389	44,344
2003-04	213	32,141	49,814
2004-05	207	38,312	51,766
2005-06	204	55,924	34,901
2006-07	155	71,996	45,518
2007-08	99	81,620	61,614
2008-09	133	1,01,824	77,075
2009-10	138	1,37,137	84,490
2010-11	139	1,57,051	96,412*
2011-12	147	1,80,389	1,06,026 [#]

* Revised Estimates

Budget Estimates

It is quite clear that the process of zero-based budgeting has not succeeded in limiting the number of schemes. As new areas are taken up, additional schemes are approved. There is clearly a need to consider and restrict this.

5.2 The total no. of CSS has been increasing over a period of years in successive Plans. Following Table indicates the position:

Plan	GBS	No. of Schemes	CSS	% of CSS to GBS	(Rs. Crore)	
					Central Assistance to States and UTs	% of Central Assistance to GBS
Ninth Plan* (1997–2002)	3,16,286	360	99,001.68	31.30	1,38,394	43.75
Tenth Plan* (2002–07)	594,649.00	155	229,763.14	38.64	2,03,117.00	34.15
Eleventh Plan (2007–12)	15,88,273.24	147	660,506.00	41.59	3,97,418.93	25.02

* At Constant Prices.

5.3 It is clear that while the number of schemes has reduced in recent years the share of CSS in the GBS has gone up progressively in the last few Plans, particularly in the Eleventh Plan. This is reflective of the focus the Central Government has given to the national priorities. For example, programmes like SSA (education), NRHM (health), MGNREGA (employment) and PMGSY (rural roads) which have large outlays, are designed to meet the key infrastructure gaps in the country and provide adequate resources to the States. A large share of the GBS (41.59%) is thus going to these schemes, major share of which is with key policy interventions termed 'Flagship Schemes'. The Table at Annexure-III gives the total picture of the major flagship programmes and allocations under it. It will be seen that these programmes broadly cover the following areas:

- (i) Agriculture & Rural - Infrastructure
- Rashtriya Krishi Vikas Yojana (RKVY), Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA), Pradhan Mantri Gram Sadak Yojana (PMGSY), Indira Awaas Yojana (IAY), Total Sanitation Campaign (TSC) and

	National Rural Drinking Water Mission (NRDWM).
(iii) Health & Nutrition -	National Rural Health Mission (NRHM) and Integrated Child Development Scheme (ICDS)
(iv) Education & Skill - Upgradation	Sarva Shiksha Abhiyan (SSA) and Mid-Day Meal (MDM) Scheme and Skill Development Mission
(v) Power -	Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), Restructured- Accelerated Power Development and Reforms Programme (R-APDRP)
(vi) Irrigation -	Accelerated Irrigation Benefit Programme (AIBP)
(viii) Urban Development -	Jawaharlal Nehru National Urban Renewal Mission (JNNURM)
(ix) Social Security -	National Social Assistance Programme (NSAP)

5.4 The areas covered by these Flagship Schemes are clearly of great importance in terms of our national priorities. In terms of Millennium Development Goals, literacy, growth, health, sanitation and access to energy are considered critical areas internationally. The need for investments in these areas is clearly well established. The flow of funds to States in these schemes takes place in two ways.:

- (a) Funds transfer through 9 flagship Centrally Sponsored Schemes:
 - (i) MGNREGA – Ministry of Rural Development
 - (ii) IAY – Ministry of Rural Development
 - (iii) PMGSY – Ministry of Rural Development

- (iv) NRHM – Ministry of Health and Family Welfare
- (v) ICDS – Ministry of Women and Child Development
- (vi) TSC – Ministry of Drinking Water Supply
- (vii) MDM – Department of School Education & Literacy
- (viii) SSA – Department of School Education & Literacy
- (ix) NRDWP – Ministry of Drinking Water Supply

The pattern of assistance to States varies. Generally it is Central Government's contribution of 90% for North-East States and 75%–100% in different schemes for other States. Annexure-III brings out these details. It will thus be noticed that in each one of these schemes, there is a contribution of the State Government, as well as Central Government. In some cases, beneficiaries also contribute to the total schemes.

- (b) The other category of 6 Flagship Schemes mentioned below are implemented through Additional Central Assistance (ACA) to States/ Central Sector scheme. However, States are required to contribute their share in a few schemes to get the ACA allocation. Details of these are at Annexure-V.

- (i) JNNURM – Ministry of Urban Development
- (ii) AIBP – Ministry of Water Resources
- (iii) NSAP – Ministry of Rural Development
- (iv) RKVY – Ministry of Agriculture
- (v) RGGVY – Ministry of Power (operated as CS scheme)
- (vi) R-APDRP - Ministry of Power (operated as CS scheme)

Of the total funds allocated for Flagship Schemes during the Eleventh Plan, which includes expenditure until 2009-10 and Budget Estimates thereafter, 75.3% was for the Category 'A' and 24.7% were for Category 'B' mentioned above.

5.5 The Flagship Schemes contribute to major share of CSS. Following Tables indicate the flow of Plan funds to States.

Table-I

Distribution of Gross Budgetary Support							
Sl. No	Description	2007-08	2008-09	2009-10	2010-11	2011-12	Grand Total (2007-2012)
		Budget Estimates					
1	Gross Budgetary Support (GBS) of which	205100	243385.50	325149.00	373091.99	441546.75	1588273.24
(a)	Total Central Sector	70834.32	78129.93	102703	123548.99	155131.67	530347.91
(b)	Total CSS and Total Central Assistance Of which	134265.68	165255.57	222446.00	249543.00	286415.08	1057925.33
	(i) Normal Central Assistance (NCA) for States and UTs	16852.00	19580.36	20977.94	23907.00	25784.00	107101.30
	(ii) Total Centrally Sponsored Schemes (CSS)	84105.00	101824.07	137137.00	157051.00	180389.33	660506.40
	(iii) Central assistance to States other than NCA	33308.68	43851.14	64331.06	68585.00	80241.75	290317.63
2	CSS Flagship	64399.00	76880.00	111032.00	121492.00	140220.00	514023.00
3	Additional Central Assistance (ACA)/CS Flagship	16540.00	25405.67	40967.00	45952.00	48402	177266.67
4	Total CSS (including CSS and ACA/CS Flagship)	100645.00	127229.74	178104.00	203003.00	228791.33	83773.07
5	Total CSS and Central assistance excluding NCA	117413.68	145675.21	201468.06	225636.00	260631.08	950824.03
6	Total Central assistance	50160.68	63431.50	85309.00	92492.00	106025.75	397418.93

Table-II

Proportion to Allocation (GBS)							
Sl. No	Description	2007-08	2008-09	2009-10	2010-11	2011-12	Grand Total (2007-2012)
A	Total Central Sector schemes	34.54	32.10	31.59	33.11	35.13	33.39
B	Total CSS and Total Central Assistance	65.46	67.90	68.41	66.89	64.87	66.61
(i)	Normal Central Assistance (NCA)	8.22	8.04	6.45	6.41	5.84	6.74
(ii)	Centrally Sponsored Schemes (CSS)	41.01	41.84	42.18	42.09	40.85	41.59
(iii)	Total Central Assistance	24.46	26.06	26.24	24.79	24.01	25.02
(iv)	CSS Flagship	31.40	31.59	34.15	32.56	31.76	32.36
(v)	ACA/CS Flagship	8.06	10.44	12.60	12.32	10.96	11.16
(vi)	Total CSS (including CSS and ACA/CS Flagship)	49.07	52.27	54.78	54.41	51.82	52.75
(vii)	Total CSS and Central Assistance other than Normal Central Assistance	57.25	59.85	61.96	60.48	59.03	59.87
(viii)	Central assistance to states other than Normal Central Assistance	16.24	18.02	19.79	18.38	18.17	18.28

It will, thus, be seen that Flagship Schemes (incl. from ACA) are 52.75% of total GBS. The 9 CSS Flagship Schemes are in fact 78% of all the CSS.

5.6 As a percentage of GBS, the share of Normal Central assistance is coming down in successive Plans and the Table below indicates the trend. During the Eleventh Plan, share of Normal Central Assistance was only 6.74% of GBS.

Table-III

(Rs. in crore)

Assistance	Ninth Plan (1997-2002)	Tenth Plan (2002-07)	Eleventh Plan (2007-12)
Central Assistance (includes both Special & Non-Special Category States)	1,38,394	2,03,117	3,97,419*
Gross Budgetary Support (GBS)	3,16,286	5,94,649	15,88,273
Central Assistance as % of GBS	44%	34%	25%

Note: NCA to States and UTs of above is Rs.1,07,101 crore i.e 6.74% of GBS.

Part of the reasons for this decline is the fact that prior to Twelfth Finance Commission (TFC) Award (2005-06) Central assistance was used to be given from the Central Government both as loan as well as grants. Based on TFC award, now all the loans are being taken by the State Governments directly from open market. Central Government thus need not borrow for the purpose of giving loans to the State Government. While this has enabled Government of India to restrict its fiscal deficit, it has also resulted in reduction of overall normal Central assistance going to the States.

5.7 The current system of administration of the schemes needs reforms. One of the most important gaps is the way distinction is being made between CSS and ACA-based schemes. While generally, ACA-based schemes are 100% Central assistance schemes, particularly Flagship Schemes, in several of these schemes State contribution is required in varying degrees like AIBP and JNNURM to avail of the central funds. The CSS also prescribe different share of the States. These shares vary, as mentioned earlier, from Nil to 65%. Conceptually, both these schemes pass on funds from the Central Government to the State Governments with some conditionality or counterpart fund request and effectively these are CSS. The difference has arisen because of the historical evolution and the way these are being budgeted, financed and controlled and also difference in release of funds. In case of AIBP, for example, evaluation is being done by Planning Commission and based on its recommendations and that of the Ministry funds are released by the Ministry of Finance. In case of JNNURM, such an evaluation and

assessment is being done by Ministry of Urban Development and based on their recommendations, ACA is released by Ministry of Finance. In case of CSS, the budgets are allocated to concerned Ministries and the entire process of releases is also done by them. There does not appear to be any major distinction between ACA based schemes and CSS except that ACA forms part of State Plan size while CSS do not.

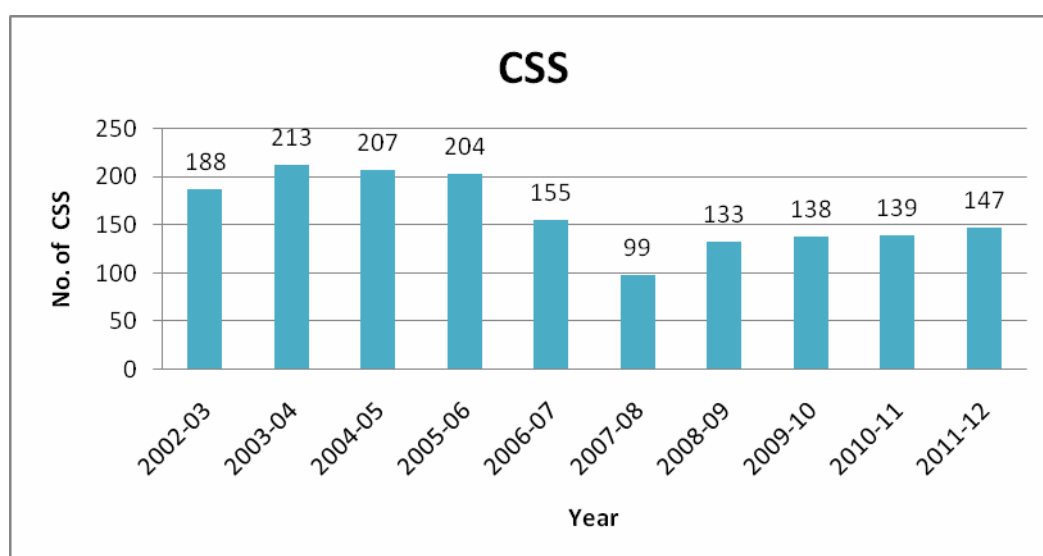
5.8 The number of States, particularly the North-East States, Bihar and Jharkhand have often represented that they have limitation of resources and are not able to provide State's share to enable them to access the required funds under CSS. This is particularly important for schemes like SSA, where the counterpart funds are to the extent of 35% and the sector is extremely critical for every State. Simultaneously, it is also important to ensure that the States have adequate financial participation to ensure a sense of ownership of the scheme by them. It has been argued that if 100% grants come from the Central Government, the ownership gets diluted.

5.9 An important area impacting on efficient implementation of CSS has been the need for flexibility in many of the schemes. India with its different geographical regions, varied requirements of States, different levels of infrastructure development, demographics and economic growth, growing urbanization and density of population requires flexibility for States to plan their development. The flexibility should be in terms of ability of the State to spend part of the funds for meeting certain special needs which may be complementary to or meeting the objective of the CSS. This flexible provisions must enable the State to meet any special

requirements because of above variations. Such flexibility is also required to enable overall optimum use of the financial resources of States and the Centre. Many of the areas in which CSS are being framed often fall in the domain of the State Governments functions or are part of the Concurrent List. Education and electricity are areas of Concurrent List. But apart from this, in agriculture, rural development, nutrition, land development, employment and rural housing CSS have been made to meet needs of our Federation. It is necessary that these schemes take into account the on-going schemes of the States in these areas. The expenditure on these schemes in these sectors by different States varies depending on its own resources and priorities. In similar activities money may be provided under CSS as well as from State Government. There is, hence, a need to take into account the nature of schemes being run in the States and implement CSS with such flexibility so that convergence leads to better results. These results could be in the form of improvement in the quality of service. For example, if money is provided under IAY for construction of houses and the State Government is also putting its own resources, it may be possible to construct a house with a cement roof, along with a toilet and rooms which have better interior. Under, RGGVY, State Governments have been provided funds for electrification of villages. Villages have been uneven size and size of population and may often have several habitations. Flexibility is necessary with the State Government to enable an effective convergence. This may include increasing the size of the transformers to take up load or providing financial support for far-off villages which do not have a good sub-transmission system. Often in the absence of such flexibility, the full objective of the schemes cannot be met.

5.10 In several schemes flexibility is required in terms of norms. In a number of schemes, like IAY and PMGSY, the norms for hilly regions, densely populated States, like Kerala, which may have shortage of land or North-East and J&K, where the rural roads may pass through high quality land which may need to be acquired, need to be different in both physical and financial terms. The cost of project is different in different areas. These need to be fully taken care of. For example, the cost of buildings in the North-East and in the far-east corners of North-East has great variations. It will be useful to consider the extent to which we can provide flexibility to meet these needs. Yet another example is the cost of cooking in the MDM scheme. Given the rise in Wholesale Price Index, it will be useful to revise norms every two years, so that the purpose of the scheme is met. If this is not done, either the food is likely to be of poor quality or it may not be cooked at all.

5.11 An important question in this regard is the proliferation in the number of schemes. This has led to poor monitoring and implementation at District level. The total number of schemes shows an interesting pattern as will be evident from the following graph:



It is clear that as new Plan starts, the number of schemes go down. With the review, thereafter, these proliferate in different areas. In fact, such schemes keep getting added up right till the end of the Plan. It represents an evolution and review of different sectors and the schemes which are meant to address the gaps which are being constantly identified. It also exemplifies our lack of long-term planning. There has been often a criticism that the visits of Central Government officers to States result in a new CSSs which keep getting added up. This is not a happy position.

5.12 It will be useful to work and plan more comprehensively. The schemes which we design provide for individual components which are needed for the development of the sector. We need to develop sectoral or sub-sectoral schemes which address varying aspects of the development needs. While part of the resources of such schemes could be used to address issues concerned to all States, a second component should be flexible part which States may use as required by them in accordance with gaps and to get convergence. Rashtriya Krishi Vikas Yojana (RKVY) is a good example of this. This provides for a large number of sectors in the field of agriculture. The guidelines for this programme indicate the following components:

- (a) Integrated development of major food crops such as wheat, paddy, coarse cereals, minor millets, pulses, oil seeds.
- (b) Agriculture mechanization.
- (c) Activities related to enhancement of soil health.
- (d) Development of rainfed farming systems in and outside watershed areas, as also integrated development of watershed areas, wastelands, river valleys.

- (e) Support to State seed farms.
- (f) Integrated Pest Management schemes.
- (g) Encouraging non-farm activities.
- (h) Strengthening of Market Infrastructure and marketing development.
- (i) Strengthening of Infrastructure to promote Extension Services.
- (j) Activities relating to enhancement of horticultural production and popularization of micro irrigation systems.
- (k) Animal husbandry and fisheries development activities.
- (l) Special schemes for beneficiaries of land reforms.
- (m) Undertaking concept to completion projects.
- (n) Grant support to the State Government institutions that promote agriculture, horticulture etc.
- (o) Study tours of farmers.
- (p) Organic and bio-fertilizers.
- (q) Innovative schemes.

5.13 Such an overarching scheme enables a comprehensive development of the sector. It also ensures that States do not undertake development of agriculture only in one area, example seed production, just because Central funds are available for this purpose. The Central funds can be used for a balanced development which can be complementary to States' resources. It helps an optimum use of the resources. The scheme should, therefore, as far as possible, cover a wide area with complementarity so that full use of the convergence of each sub-sector with the other can be made of. This sort of design will help us not only improve the effectiveness of the utilization of the funds but also reduce the number of schemes.

5.14 A number of schemes accordingly need to be merged at the Central level so that major areas of the concerned department get covered and technology and Central resources can flow for the benefit of the States. In a number of departments, there are large number schemes. In agriculture, for example there are a total of 13 schemes. Similarly, in Animal Husbandry & Dairying there are 15 schemes. It is possible to merge many of them into a comprehensive scheme for development of sub-sectors.

5.15 Schemes with small outlays are a major disadvantage. These envisage expenditure of small amounts spread over the country. These need to be weeded out. In fact, an earlier Committee on CSS has considered this question and argued that any CSS which had an outlay of less than Rs.300 crore should not be taken up at all. It is important that the funds we provide should be able to make a dent in the State's economy. All such schemes need to be weeded out.

5.16 An important issue in the CSS is the transfer and release of funds and norms which are prescribed for it. There is a need to provide transparent guidelines which provide for allocation of funds under CSS, so that States are able to plan their resources better. A recent effort to bring complete transparency in this regard has been made in RKVY. The allocation of funds under this scheme is formula-driven. There have been two criticisms on this approach. Firstly, it has led to an uncertain fund position in the State under this scheme. No programmes can, therefore, be run on a long-term basis on such a scheme since the State which if not able to provide adequate budget provision in the agriculture sector does

not get funds under RKVY. This approach cannot be adopted for every sector, as it is constrained by the State's resources and overall budget allocations. Therefore, while adopting the RKVY structure its strengths and weaknesses are required to be kept in mind.

5.17 The current system also suffers from a major drawback on manner of transfer of funds to States under CSS. Funds are being released under CSS to State Governments or independent societies, of which senior officials of State Government are in-charge or at District level to DRDA. It is not possible in the current system to monitor the actual flow of funds under these schemes and release to the States or various societies to whom it is transferred directly. There is need to use technology and financial accounting methods for effective monitoring of funds under these schemes. An effort in this regard in the Planning Commission has already been started. Following assessment has been made in Planning Commission that *“The present system of budget and account classification suffers from several weaknesses. The lack of uniform coding for plan schemes across the States makes it difficult to trace releases under a particular scheme from the Centre to the ultimate user as it flows through state budget system. A significant proportion of central plan resources are also transferred to implementing agencies of State governments by way of direct transfer outside the State Consolidated Funds. These transfers cannot be traced on line in terms of their final use.*

These problems are planned to be addressed through a new multidimensional budget and accounting classification being prepared by a Committee set up by the Ministry of Finance. Further, the Central Plan

Scheme Monitoring System (CPSMS) has been initiated by the Controller General of Accounts in collaboration with the Planning Commission to serve as a comprehensive management information and decision support system for monitoring of the Plan schemes of the Government. CPSMS seeks to have interface with state treasuries and State AGs to obtain real time expenditure information for schemes for which funds are transferred from the Central Ministries to the consolidated fund of the States. It also has the challenging task of integrating thousands of implementing agencies through Core Banking Solution (CBS) of the individual banks so that fund movement is tracked at each successive stage starting with the initial release from the Centre till the money actually reaches the ultimate beneficiaries.

On full implementation, CPSMS is expected to provide customized information of fund deployment and utilization vertically under each scheme to programme managers and horizontally across schemes in one geographic area. Inputs provided by the system would be vital for programme management and policy planning. The information on fund utilization should also be placed in the public domain for greater public awareness, public participation in the policy making and execution and toward enhanced transparency in Government operations.” This will ensure that no new CSS is introduced without uniform budget code from the CGA.

5.18 As mentioned earlier, the transfer of funds is currently being done through several ways. In a number of schemes, funds are being directly transferred at district-level, in some others, these are given to the State

Government which in turn transfer the funds to district-level and Panchayati Raj Institutions (PRIs). The system of transfers needs a review as it dilutes State Government's responsibility on use of funds transferred directly outside the State budget. Two considerations have to be kept in mind while examining this issue. Firstly, the accountability of the State Government under the present system has to be strengthened. The transfer of funds directly at the district-level or to Panchayats or urban local bodies makes these organizations accountable but the State Government under whom these organizations work has often argued that since they have not transferred the funds through States budgets, they are not responsible for its proper utilization. It is important in our federal system that State Governments are fully involved in such transfers and these take place through their budgets. This involves delays which will have to be addressed. Secondly, transfers should be such that funds to the lowest utilizing organizational level reach quickly. This merits to some extent, the transfer of funds directly to the Panchayats where many of these funds are to be utilized. These concerns will need to be addressed for an effective fund transfer mechanism.

5.19 One of the major problems in the CSS is poor implementation of schemes in several States. This points to a design gap in the schemes. These schemes either do not provide for a concurrent evaluation and assessment or where they do, this is not done in an independent manner so as to get an effective feedback. Example of an excellent third party evaluation is the Guidelines prescribed for PMGSY and system of evaluation evolved for this. Guidelines for this have been issued by Ministry of Rural Development. Under this evaluation is done at the level

of both State and Central Governments. These monitors are appointed in an independent manner and have a responsibility to visit the districts for seeing the progress of work. This has given very good results and the rural roads programme of PMGSY is generally accepted to be an effective programme. It is important that all CSS have such a mechanism installed. This evaluation could be across the country through series of sample surveys or independent monitors giving their assessment after visiting the States and seeing the programmes in certain districts. It could also be through evaluation by a certain institutes. Not enough time has been devoted to this part of the CSS design. The gaps in the schemes have, therefore, quite often been noticed after almost Plan period is over. This restricts the ability for mid-course correction and doing modifications which can improve the design of the programme and improve the effectiveness of the programme.