

CHAPTER-IV

REFORMS IN THE CSS

6. The analysis of the CSS in the previous Chapter has indicated the need for reforms. Suggestions on this are being mentioned in the following paragraphs:

6.1 Restructuring of CSS

6.1.1 It has often been mentioned that schemes, with small outlays, are not likely to make impact at the level of States which commensurate with the national priorities at which CSS are primarily aimed. Such schemes, therefore, should be transferred to States. In some cases, these could get merged with the main scheme. It may be necessary to merge these schemes, in some cases to enable convergence of the overall CSS which may emerge as a result of this. It is, therefore, recommended that all schemes which have an outlay of less than Rs.500 crore in the Eleventh Plan or an average annual outlay of less than Rs.100 crore, if started, late should either be abolished or merged into more comprehensive sub-sectoral and sectoral schemes of the total CSS, which contribute 42.9%. Clearly, major restructuring is needed in CSS.

6.1.2 There are a very large number of CSS operating at this time. In 2011-12, these numbered 147. Prior to it, in 2007-08, when the Plan began there were 99 CSS. Clearly, these have a tendency for proliferation. It is, therefore, suggested that the CSS may be restructured into three categories:

- (a) **Category-I – Flagship Schemes:** Planning Commission has at the moment recognized 15 Flagship Schemes. These include 9 CSS schemes and 6 Schemes being implemented through Additional Central Assistance (ACA)/Central Sector (CS) schemes. All these schemes have large outlays as mentioned earlier and the ability to make significant changes in the sectors to which these relate. These cover key areas of national importance like rural infrastructure, housing, employment, agriculture, education, health, power, irrigation etc. Eleventh Plan experience has shown gaps and need for restructuring in several of these. It is, therefore, proper that these schemes be retained after a review and restructuring by Steering Committees so that gaps in these are fully met.

It is suggested that if any major focussed area is required during the Twelfth Plan, a new Flagship Scheme may be initiated. As mentioned earlier, investments in these are large and hence these can make an effective intervention across the country. The new intervention should, therefore, be only in this category either as CSS or ACA. The lowest outlay in the Flagship Schemes is that of R-APDRP at Rs.6,725.72 crore. The other such programme is Total Sanitation Programme (TSP) which has an outlay of Rs.6,560 crore. The actual size of R-APDRP was in fact Rs.50,000 crore and this apart from the GBS originally planned at Rs.10,000 crore. The actual expenditure has been less as the cost of IT/SCADA intervention was found to involve less money. This is only indicative of the size which has to be kept in mind for new Flagship Schemes. It is suggested that new Flagship Schemes should have a minimum out lay of Rs.10,000 crore over a period of the Twelfth Plan.

- (b) **Category-II – Sub-Sectoral Schemes:** The second category should be schemes relating to major Departments which have several sub-sectors. It will be useful to develop an sub-sectoral scheme for these Departments. Each sub-sector could have a core element which fully supports requirements of all States. The other component could be State specific component may vary in different States. A number of areas and interventions in it could be identified for this in the scheme and State Governments could choose from them. For this, States should have flexibility as part of the scheme. These Sub-Sectors could be especially useful in Departments like Education, Animal Husbandry and Health. Guidelines for the schemes will be issued by the Administrative Ministry giving details of procedure at State Government/Central Government level.
- (c) **Category-III – Umbrella Schemes:** The third category of schemes should be those which cover comparatively smaller Departments. To make an impact in development process at the national level, it is necessary that the size of schemes commensurate with this requirement. Earlier Committee has recommended that schemes with annual plan outlay of Rs.300 crore may not be implemented as CSS. In view of this, it will be useful that schemes with small outlays should be either weeded out or merged as part of a large Umbrella Scheme as mentioned earlier, too. An Umbrella Scheme for the Department would provide flexibility to the implementing Departments to assess the sector's requirements in a comprehensive manner, identifying gaps and addressing these. Such a scheme will have two parts. In first

part, Central Ministry would provide guidelines for the various components of the Umbrella Scheme, which it wishes to be implemented across the country in accordance with its norms. Those will be implemented by the States. In the second part, States will have flexibility to choose schemes for which a large list of areas, schemes and guidelines will be given by Administrative Ministry similar to Category-II. Department wise listing of all CSS schemes under the above three categories is given in Annexure VII.

The Committee feels that often the requirements of States may vary widely in some sectors. It will be useful to provide funds as ACA for such schemes in these sectors.

6.1.3 It is also suggested that all new CSS must form part of either the Flagship Schemes or sub-components of one of the Sub-Sectoral Schemes of the Ministry or the third category of Umbrella Schemes. Efforts in the Plan should be to address major concerns through new Flagship Scheme and intervention in other areas, be in the Sub-Sectoral Scheme or as an Umbrella Scheme.

6.1.4 In addition to the CSS, funds are being transferred to the States through ACA/Central Sector schemes. The number of schemes through which these transfers are taking place is 26. This includes 6 Flagship Schemes, including AIBP, NSAP, JNNURM, RKVY, R-APDRP and RGGVY (the last two are CS schemes). It is suggested that the above transfers may be restructured in the following manner:

- (a) The 6 Flagship Schemes may continue with such reforms as may be finalized by the Working Group, based on the experience of the functioning of these schemes during the Eleventh Plan. During this review, the Working Group should also look at convergence of these schemes with other areas. In addition to the 6 schemes, it is also proposed that Backward Regions Grant Fund (BRGF) which is a major policy intervention be classified as Flagship Scheme. Accordingly, the total number of Flagship Schemes under ACA/ Central Sector schemes would be 7.
- (b) The remaining 20 schemes may be restructured into 7 schemes (Annexure-V).

6.1.5 Discussions have been held with various Ministries/Departments on these issues. There seem to be general agreement on reducing the schemes and providing flexibility. Our broad suggestions on the list of schemes which could be retained are mentioned in Annexure-IV. It will be noticed that if these are implemented, the total number of CSS would be 59. Further, there will be marginal increase in number of CSS during the Plan as new schemes would generally be sub-component of one of the existing Sub-Sectoral Schemes or Umbrella Schemes.

6.1.6 In addition to above, there will be 7 ACA/Central Sector Flagship Schemes and 7 other ACA-based Schemes as against 26 as at present.

6.2 “Flexi Funds” in CSS:

6.2.1 CSS cover the entire country and thus cater to extremely diversified, demographic, geographical, economic and rural and urban needs. It is difficult to design schemes which will have parameters, which will cater to the requirements of all the regions. It is, therefore, necessary that schemes to have a certain flexible component which may be used for developing specific schemes by the State Government such schemes should be consistent with the objectives of the CSS. It is, therefore, proposed that all Category-II and III CSS must have 20% funds as ‘Flexi Funds’. These could be used by the States to prepare schemes consistent with the objectives of the overall schemes. Broad guidelines for this may be issued by the concerned Ministries for the areas for which such schemes have to be made to meet their specific needs. In Flagship Schemes, which have large budgets outlay, these funds may be 10% of the annual outlay, which in our assessment should be able to take care of the needs of States. These guidelines could be on the pattern of RKVY where various activities are mentioned but leave enough scope for the State Governments. These schemes will be prepared by the State Government and approved by a Committee chaired by the Chief Secretary of the State Government. Secretary of the concerned department of the State Government may be Convenor of the Committee. The Committee may include, apart from the Chairman and Convenor, concerned Joint Secretary in Central Government and such other officials as may be indicated in the guidelines to be issued by the Ministry. The funds will be released to the State Government based on the recommendations of the State-level Committee by Administrative Ministries.

6.3 Flexibility in Norms:

6.3.1 Several suggestions have been made for giving flexibility in physical and financial norms of CSS. It has been argued by the State Governments that the requirements of different regions differ and it is, therefore, necessary that the norms for construction of roads, bridges, specification for roads, gradients of PMGSY roads, width of such roads and specifications for IAY houses may be varied depending on the requirements of the State. There is clear merit in this suggestion. It will be, therefore, appropriate that an extensive review is carried out on the physical and financial norms for the schemes. This review should be initially done by all the Ministries as part of the review prior to the Twelfth Plan so that the guidelines which they suggest take into account the requirements of different regions of the country and prescribe different norms for different regions. For financial norms, these be finalized in consultation with Ministry of Finance.

6.3.2 Further, the norms for this once prescribed may be circulated to all the States as part of the CSS. If a State wishes any norms to be modified for its own State, an Expert Committee may be appointed by them to look into all adequate parameters which support such change. Based on these recommendations, a Committee on Norms under Chief Secretary of the State may recommend this to the Central Government. Such Norms Committee of State Government may include the concerned Secretary of the department, Finance and Planning Secretaries of the State and one Technical Expert, apart from concerned Joint Secretary in the Central Government Ministry. The recommendations once received in the Government of India

may be put up by the Administrative Ministry to an Empowered Approval Committee to be chaired by the Secretary of the Planning Commission. This Committee may also include Secretary of concerned Ministries, Ministry of Finance and one Technical Expert suggested by the Ministry. The Committee should invite Chief Secretary or the representatives of the State Government to present its case for the change. Once this Committee approves, the norms will stand modified for the concerned State(s). Such modified norms would then be applicable for that State. A communication to this effect will be sent to the State Government.

6.3.3 In respect of financial norms, an automatic revision after two years of the Plan is made after considering the Wholesale Price Index. Norms for schemes like cost of construction of houses, cost of cooking should be revised automatically without any reference from the State Governments. Such revision should be carried out every two years for all those items which may be notified by Ministry of Finance in consultation with the Administrative Ministry at the beginning of Twelfth Plan. While this may result in additional financial burden on the Central Government, it is, in fact, meaningless to give funds for certain activity without ensuring that it gets fully funded. Secondly, while fixing these norms care should be taken of the wide geographical variation amongst States and the costs amongst them. We would like to emphasize this point because the financial norms are often key to the effective implementation of the programme. Inadequate funding of any project is a sure recipe for its failure and poor quality of work.

6.4 **Funding Pattern:**

6.4.1 A major criticism of the CSS has been State's inability to provide counter-part. It has been argued by the States that in view of reduced provisions for normal Central assistance their ability to access to CSS funds has been reduced. Further, it has also impacted their priorities because of their limited financial resources.

6.4.2 The Committee noticed that in recent times a number of Central Schemes have been based on 100% ACA. Schemes like NSAP, R-APDRP, JNNURM and RKVY are 100% funded by the Central Government. For RGGVY, 90% funds are being provided by Central Government and it is, thus, practically providing the entire resources. In the recent programmes, NRHM has a pattern of 85:15 between Centre and States.

6.4.3 The Committee is not recommending any change in the funding pattern of the existing CSS as this needs large financial exercise of both State and Central finances. As part of review of Eleventh Plan, Administrative Ministry may undertake change and restructure as necessary based on their experience in the light of Steering Committee's recommendations.

6.4.4 The Committee has noted that the quantum of normal Central assistance has already been reduced substantially after the Twelfth Finance Commission award. The Committee, therefore, feels that all new CSS except new Flagship Schemes should provide for 100% Central funds. No new CSS should be launched in which States are expected to provide contributions. Firstly, this will provide enough financial space for the State Governments to plan schemes in areas which according to them is a priority area. Secondly, this will ensure that States are able to access Central funds without any

problems. Lack of resources with them, therefore, would not be a constraint area taking advantage of the schemes which the Central Government will launch CSS. We have considered the argument that this will be a disincentive for the States to put into their own money in these areas and the sense of ownership will not be there. The argument of sense of ownership is important but has not been a key factor in effectiveness of the CSS. It is the attractiveness of the intervention as such which has been responsible for the success of the schemes. For example, one most successful scheme is PMGSY. Under this scheme, Government of India gives 100% assistance. Another scheme which has been extremely effective is RKVY. In this, too, 100% Central assistance is being given. It is the design and the area effective monitoring and implementation of the scheme which is going to determine the success in implementing these schemes. We, therefore, feel that the ownership argument is important but not a critical factor in successful implementation of CSS.

6.4.5 In new Flagship Schemes, the norm of counter-part contribution of the State Government will have to be determined by the Administrative Ministry in consultation with States. Such new schemes are likely to be few but with large outlays. There is need to check open-ended demand from States for these funds. Provision for counter-part funds from States in these will put less pressure on the Central Government for a larger CSS allocation. However, the committee feels that new Flagship Schemes counter-part funds from State Government could be required up to a maximum of 25% depending upon the interventions planned. In case of North East States such counterpart funding requirement may be up to 10%.

7. Monitoring and Evaluation

7.1 The CSS have been criticized on the ground of poor ownership of the States, inadequate monitoring and evaluation of programmes. In view of the fact that the Central Ministries have a large number of CSS, there is generally very little concurrent evaluation. It has, therefore, not been possible to make mid-course changes in the scheme so as to meet the gaps in the schemes. Concurrent evaluation would enable such changes in the scheme which can improve its effectiveness. Such a monitoring system also ensures better performance from the State functionaries. In a number of these, this has been lacking. A successful example of an in-built evaluation is PMGSY. While in a number other CSS provision for evaluation exists, it has not been that effective. In MGNREGA, however, these have been social audits and number of independent evaluations. This has helped development of new guidelines and mid-course corrections of the programme. It is important that all CSS have a mandatory provision for this. It will be appropriate to develop independent monitors and evaluation organizations and to assess the programmes based on field surveys, field visits by experts and, if possible, a comprehensive assessment in few selected States.

7.2 To ensure meaningful and effective evaluations, the funds of the CSS should be monitored by independent organizations which are not part of the implementation process. There have been instances where organizations which are involved in the implementation have also been given the responsibility for this purpose. The assessment of RGGVY scheme by REC and PFC which were involved in the implementation process are examples of such a process. It has sometimes been argued that if the actual implementation of programme is done by some other agency, there may not

be any conflict of interest involved in such cases. It has to be appreciated that the evaluation will carry greater credibility and give the implementing Ministry greater confidence, if such evaluations are done by independent organizations. It may be, hence, useful to have a panel of these organizations right in the beginning of the Plan. Offers may be invited for this purpose and a panel drawn up. Such a panel could consist of technical personnel who can visit identified projects or field survey organizations, academic institutions and Universities.

7.3 It is, therefore, recommended that all CSS must have two ingredients. Firstly, there should be a regular monitoring mechanism and its parameters should be placed on the website of the Ministry. Secondly, evaluation should be done by independent evaluations and monitors. Such assessments should also be considered by the Ministry for assessing the success of the scheme and making changes.

7.4 The evaluation of different schemes will involve different nature of technical personnel. It is possible that in certain areas we may have problems in getting these. The Committee recommends that in such cases, we should built up capacities for this in well recognized institutions.

7.5 An important area of evaluation is social audit. This has been taken up in MGNREGA. It will be useful to expand its scope in other schemes, particularly which are being implemented at grassroots level. Such social audit should be done in accordance with the well-designed programme.

7.6 Planning Commission should prepare a list of organizations which can conduct such monitoring and evaluation in States. For these institutions of ICCR, universities, known experts in the field and organizations undertaking sample surveys may be invited. A panel of these should be kept ready. This exercise should be completed before the start of the Twelfth Plan to enable effective evaluation and monitoring of the Plan right from the beginning.

8. Funds Allocation to States

8.1 Funds under the CSS are allocated by the concerned Ministries. This is being done in accordance with the norms evolved by the Ministry and utilization and pace of funds. There is a need to ensure predictability for the State resources based on certain objective norms. Since inter-State allocations will depend on the nature of the scheme no Central formula can be suggested. The broad approach, however, should be based on identifying the needs of the State which the scheme aims to meet and the total resources available under the CSS. It will be useful to notify and put on website these norms to all the State as part of their scheme.

8.2 There will be increase in the allocation for certain scheme from year to year. Such increase should be preferably given to those States which have taken steps in allocating larger resources of their own in the concerned CSS field. For example, in the field of education, if the State has provided larger resources, then the additional allocations of the Central Government must be distributed amongst those States which have so done. There will, however, need also to meet the increasing commitment under the already sanctioned schemes. It is, therefore, suggested that 50% of the increased allocation under any CSS/ACA scheme should be distributed proportionally amongst those States who have provided in their budgets larger allocation

for the concerned sector. A method for allocating this is mentioned at Annexure-V. Such a method may be used to begin with in the following sectors: Health, Education, Urban Development, Skill Development and Rural Infrastructure.

9. Transfer of Funds to States

9.1 The transfer of funds to the State under CSS and ACA is being done through State budgets, independent societies under the control of the State Governments and at the District level with organizations under the State Governments. It has, however, been criticized on the ground that it has diluted the responsibility of the State Governments for effective utilization of these funds, as these are not being routed through the State budgets. It has also been not possible to have an effective Central monitoring and evaluation system to be developed at a national level due to problem in CSS budget heads. Experience shows that for the same schemes different State budgets have different account codes. Given the variety of system of administration, the routing of funds from independent agencies is also creating problems in assessing the actual availability at the grassroots level. The current transfer system has evolved over a period of years to ensure that funds reach at the operating grassroots level faster. There is, however, also a need now to ensure full financial accountability of the State Government. It is, therefore, proposed that the procedure for transfer of funds to the States should be reformed. Efforts must be made to gradually move over to transfers through State budgets. Given the current manner of transfer, it may be difficult to do so without disruption if wholesale changes take place. It is, therefore, suggested that a transfer of funds mechanism should be worked out by a Committee of Experts which includes State Government's representatives, so that over a period of Twelfth Plan, all transfers gradually get routed through the State Governments' budgets and not directly to the independent societies at the State or District levels.

10. Sharing of Best Practices

10.1 States are implementing various Centrally Sponsored Schemes. It is important that the experiences are shared with other so that benefits of federal structure flow to all constituent. The mapping of best practices and lessons learnt would assist in improvement in design, implementation and policy. For this there is need to have an interactive website and authenticated data base. Planning Commission can explore the feasibility of hosting such website.