APPRAISAL OF CSS AND CS – ECONOMY

NEWS: The Department of Expenditure, Ministry of Finance has initiated a comprehensive exercise to appraise and approve Centrally Sponsored Schemes (CSSs) and Central Sector Schemes (CSs) for continuation post March 2026.

- This aligns with the 16th Finance Commission cycle starting 1st April 2026.

WHAT'S IN THE NEWS?
Origin and Institutional Framework

- **Policy Introduction (2016 Budget):**
  The 2016 Union Budget formally introduced the mandate that every centrally funded scheme must be evaluated with an **outcome-based approach** and be assigned a **sunset clause** to prevent indefinite continuation without relevance or effectiveness.
- **Rationale for Sunset Clauses:**
  This reform aimed to ensure that all schemes remain **performance-driven**, and only those demonstrating positive outcomes continue to receive public funding.
- **Responsibility of Evaluation Agencies:**
  - For **Centrally Sponsored Schemes (CSSs):** Evaluations are led by the **Development Monitoring and Evaluation Organisation (DMEO)** under NITI Aayog.
  - For **Central Sector Schemes (CSs):** Evaluations are conducted through **third-party agencies** chosen by the **concerned Union ministries**.

Significance of the Scheme Reappraisal Exercise

- **a. Outcome-Driven Governance:**
  Encourages governance that is guided by **evidence-based decision-making**.
  - Promotes **measurable outputs and impact assessment**.
  - Prevents funding of **underperforming or redundant schemes**, freeing resources for more effective programs.
- **b. Fiscal Consolidation and Better Resource Allocation:**
  - Scheme rationalisation enables control over **revenue expenditure**, which is often rigid and recurrent.
  - Creates **fiscal space** for increased **capital expenditure**, which is more growth-enhancing.
    - *Example:* Capital expenditure budget for FY 2025–26 (BE) is ₹11.21 lakh crore, partly enabled by earlier pruning of ineffective schemes.
- **c. Scheme Convergence and Administrative Efficiency:**
  - Rationalisation facilitates **merger of overlapping schemes** across sectors (e.g., health, nutrition, water, sanitation), reducing administrative overhead.

    - Enhances **inter-departmental coordination** and delivers **synergistic outcomes** at lower cost.
- **d. Digital Targeting and DBT Integration:**
    - Many schemes are now linked to **Aadhaar-based Direct Benefit Transfer (DBT)** platforms.
    - Enhances **transparency**, reduces **leakages**, and ensures **accurate, last-mile delivery** of benefits.
- **e. Alignment with India@100 Vision:**
    - Ensures that public schemes are strategically aligned with **long-term national development priorities** such as health, education, skilling, innovation, and infrastructure.

Key Challenges in Scheme Recalibration

- **a. Political and Federal Sensitivities:**
    - States may **resist closure or merger** of schemes due to region-specific needs or **electoral considerations**.
    - Cost-sharing disputes over CSSs (e.g., 60:40 vs. 90:10 funding ratios) often create **Centre-State friction**.
- **b. Institutional Inertia and Resistance to Reform:**
    - Ministries may be reluctant to let go of legacy schemes due to **vested administrative interests**, **bureaucratic turf protection**, or **fear of budgetary reduction**.
- **c. Evaluation Capacity and Data Limitations:**
    - Third-party evaluations often suffer from **variations in quality, scope, and neutrality**.
    - Several schemes **lack real-time, granular data**, making impact assessment difficult.
- **d. Implementation Deficits at Local Level:**
    - Even well-conceived schemes fail due to **poor execution capacity**, particularly at the **district and sub-district levels**.
- **e. Risks in Transition Planning:**
    - Abrupt closure of schemes without **adequate transition planning or successor programs** can lead to **disruption in public service delivery**.

Suggested Way Forward

- **a. Strengthening Evaluation Mechanisms:**
    - Uniform standards should be adopted by DMEO and ministry-appointed agencies.

- **Integration of MIS (Management Information Systems)** and **real-time monitoring** to make evaluations dynamic.
- Inclusion of **stakeholders and beneficiaries** for participatory evaluation.

- **b. Enhancing Centre–State Coordination:**
    - Build consensus through **transparent federal dialogue**.
    - Introduce **performance-linked incentives** for states that agree to rationalise and modernise schemes.
- **c. Digital Infrastructure Expansion:**
    - Scale up platforms such as **Public Financial Management System (PFMS)** and **JanSamarth** to track **scheme performance, fund flows, and impact** metrics.
    - Promote use of **dashboards**, **GIS mapping**, and **mobile monitoring tools**.

Key Differences Between Centrally Sponsored Schemes and Central Sector Schemes

Aspect	**Centrally Sponsored Schemes (CSSs)**	**Central Sector Schemes (CSs)**
Funding Pattern	Shared between Centre and States (60:40 for General States; 90:10 for NE/Himalayan)	Fully funded (100%) by the **Central Government**
Implementation Agency	**State Governments** are responsible for implementation	**Central Ministries/Departments** directly implement
Constitutional Domain	Focus on **State List** and **Concurrent List** subjects	Focus on **Union List** subjects
Administrative Control	**Joint control** – Centre sets guidelines; States execute	**Complete control** – Centre plans, executes, and monitors
Primary Objective	Promote **national development with regional participation**	Implement **strategic/national priority initiatives**
Examples	MGNREGA, ICDS, PMAY-G, NHM, Samagra Shiksha	BharatNet, PM-KUSUM, INSPIRE, DRDO R&D Schemes

Source: https://www.pib.gov.in/PressReleasePage.aspx?PRID=2132416