

Restructuring Centrally Sponsored Schemes

What is the issue?

Any restructuring/rationalization of the Centrally Sponsored Scheme (CSS) requires a relook at the Seventh Schedule.

What is the significance of Seventh schedule of constitution?

- The seventh schedule of the Indian constitution defines and specifies allocation of powers and functions between union & states.
- It contains three lists
 1. Union list
 2. State list
 3. Concurrent List
- The constitutional assignments between the central and subnational governments in federations are done broadly on the basis of their respective comparative advantage.
- There have been as many as 103 amendments so far including a few in the Seventh Schedule.
- Changes in Seventh Schedule requires ratification of the amendment by the legislatures of at least one-half of the states.
- In fact, the 42nd amendment actually transferred five subjects from the State List to the Concurrent List which are:
 - (a) Education
 - (b) forests
 - (c) weights and measures
 - (d) protection of wild animals and birds and
 - (e) administration of justice

How schemes are implemented in India?

- The provision of public services is mandated at subnational levels, financing is done either fully or partially by the Centre to ensure that a minimum standard of such services are provided across the country.

- In the Indian context, for this reason, there are central sector and centrally-sponsored schemes.
- In the case of the former, funding is entirely by the Centre and states are merely implementing agencies.
- The Centrally Sponsored Scheme (CSS) is a shared cost programmed and is meant to ensure a minimum standard of service across the country.
- In fact, many of the schemes are introduced by the Centre on subjects in the State List ostensibly for their externalities but also to have a direct appeal to the electorate.
- In principle, there should be consultations with states in designing the schemes, but this is hardly done.

What are the issues with states in paying central expenditure?

- According to article 282 of Indian constitution, “The Union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of the State, as the case may be, may make laws”.
- But in terms of defense states which comes under Union List, states cannot pay since defense is a national public good and keeping in view the principle that the beneficiaries of services should pay for it, it becomes the primary responsibility of the Centre to defray the cost of protecting all the people of the nation.
- Given the fact that the assigned expenditure responsibilities of the states are much larger than their revenue potential, the Constitution provides for the sharing of taxes collected by the Centre and making grants to them from the consolidated fund of the Centre based on the recommendations of the Finance Commission.
- The Finance Commission is supposed to take into account the capacities and needs of the Union and different states in making recommendations and the Centre’s need includes the requirements for defense of the country.
- Thus, once the commission makes recommendations after assessing the requirements including those for defense, the responsibility for defraying the expense falls on the Centre.
- The states simply do not have the resources to spend beyond the subjects in their domain because the Finance Commission will not provide for it in its assessment.

Source: The Indian Express



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