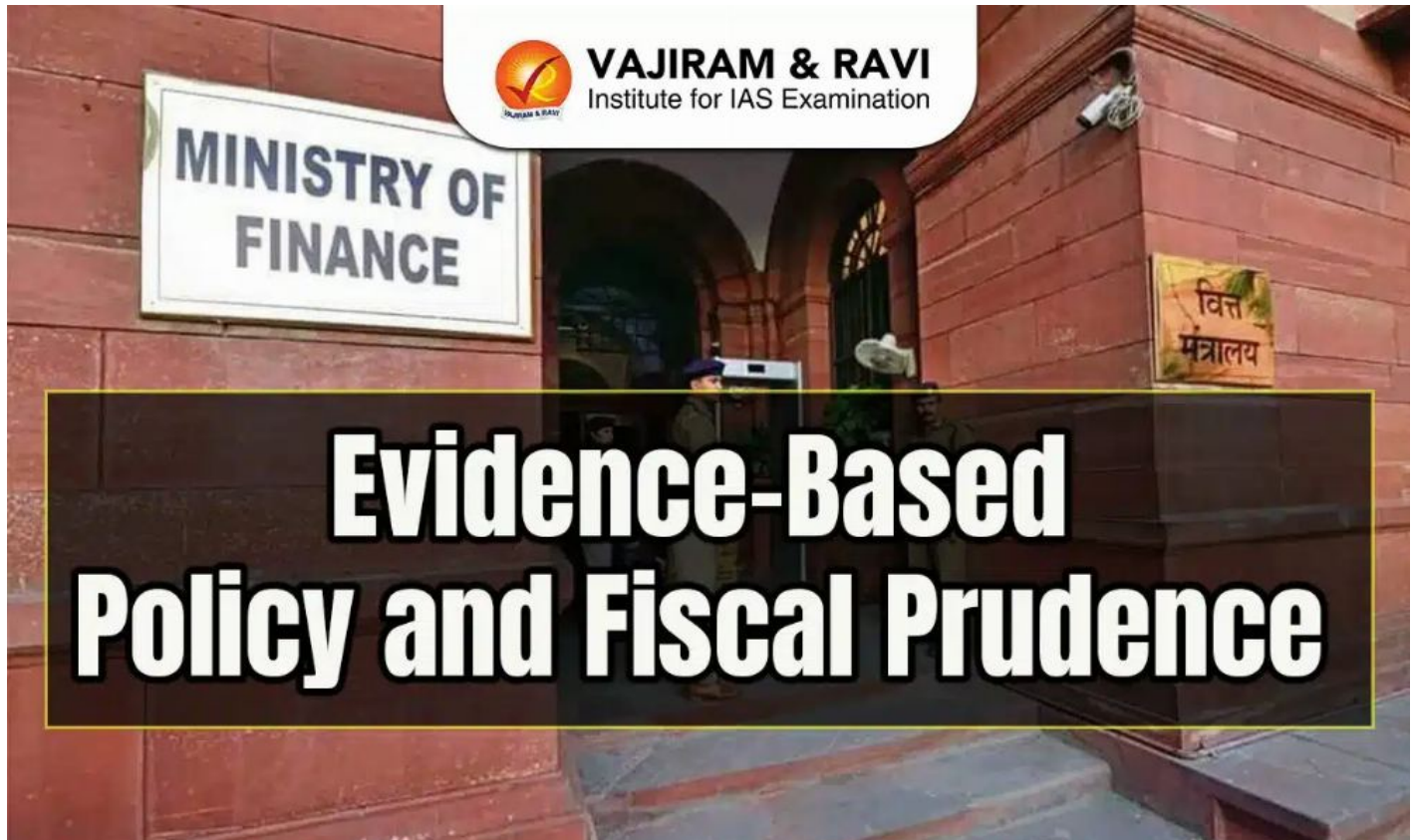


Government Tightens Norms for CSS and CS Schemes Continuation Post-2026

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- As India gears up for the 16th Finance Commission cycle (from 1st April 2026 to 31st March 2031), the Union Government has **mandated third-party evaluation** as a precondition for the continuation of **Centrally Sponsored Schemes (CSS)** and **Central Sector Schemes (CS)** beyond March 31, 2026.
- There are 54 CSSs and 260 CSs which have their terminal date of approval till 31.03.2026 and are likely to be submitted for re-appraisal.

Current Evaluation Process

- **NITI Aayog**, the government's top think tank, is currently conducting evaluation of the CSSs.
- This exercise is to be completed shortly and the draft reports will be shared with the respective ministries and departments.

Key Directives from the Ministry of Finance

- No CSS or CS scheme will be appraised for continuation without third-party evaluation.
- **Evaluation** must reflect positive outcomes, justification of mandate, and performance-based necessity.
- Such exercise in the past had allowed the Central Government to **enhance its capital expenditure substantially** which now stands at Rs. 11.21 lakh crore for FY 2025-26 (BE).

Timeline for Ministries

- The ministries and departments have been asked to conduct evaluation studies of their schemes **by the end of July this year**.
- Get approval for continuation of schemes beyond March 31, 2026 from the **Expenditure Finance Committee (EFC)** before the start of the budget making process.

Financial Allocations for 16th Finance Cycle

- **Allocation formula:** Ministries will get allocations **5.5 times** their average actual expenditure during 2021-22 to 2025-26.
- **Requests for increased allocation:**
 - For example, the Ministry of Health & Family Welfare sought more funds for **vaccination programs**.
 - Cabinet Secretary cautioned ministries against inflated projections, **urging realistic budgeting**.

About CSS and CS

- **CSSs** are programs **funded mostly** by the Union Government and **implemented** by State Governments. **Examples:** PM Poshan Scheme, PM Awas Yojana (Gramin).
- **CSs**, on the other hand, are **fully funded and implemented** by the Union Government. This means, they are **executed directly** through central ministries/departments. **Examples:** National Digital Health Mission, PLI Scheme.
- **These schemes cover a wide gamut**, from social sectors like health, women and child development, school and higher education, tribal welfare to agriculture sector, urban and rural infrastructure, environment, scientific research etc.
- While in case of **CSs**, the government of India bears **100%** of the cost, in case of **CSSs**, the scheme expenditure is shared in a predefined ratio between the central and the state governments (**60:40/75:25/90:10**).

Conclusion

- The Government's insistence on rigorous third-party evaluations before the continuation of CSS and CS schemes **marks a shift toward evidence-based policy and fiscal prudence**.
- With the 16th Finance Commission's recommendations looming, ministries must **align their priorities with realistic and performance-driven outcomes**, making this a crucial development in India's public finance architecture.

Evidence-Based Policy and Fiscal Prudence FAQs

Q1. What is the key condition imposed by the Ministry of Finance for the continuation of Centrally Sponsored and Central Sector Schemes beyond March 31, 2026?

Ans. The schemes must undergo mandatory third-party evaluation demonstrating positive outcomes and continued relevance to be considered for continuation in the 16th Finance Commission cycle.

Q2. Differentiate between Centrally Sponsored Schemes (CSS) and Central Sector Schemes (CS) with suitable examples.

Ans. CSS are jointly funded by the Centre and States (e.g., PM Awas Yojana), whereas CS are entirely funded and implemented by the Centre (e.g., Production Linked Incentive Scheme).

Q3. What formula will be used to determine ministry-wise fund allocation during the 16th Finance Commission period (2026–2031)?

Ans. Ministries will receive an allocation 5.5 times their average actual annual expenditure from 2021-22 to 2025-26.

Q4. What role is NITI Aayog currently playing in the appraisal process of government schemes?

Ans. NITI Aayog is conducting third-party evaluations of Centrally Sponsored Schemes and is expected to submit draft reports to the respective ministries.

Q5. Why is the upcoming 16th Finance Commission cycle significant from the perspective of public financial management and governance?

Ans. It introduces outcome-based funding and encourages fiscal discipline and accountability in scheme continuation and budget planning.

Source: IE

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