

No.S-18014/4/2013-DPAP(Part)  
Government of India  
Ministry of Rural Development  
Department of Land Resources

CGO Complex, Block No. 11, 6<sup>th</sup> Floor,  
R.No. 626, Lodhi Road, New Delhi-110003

Dated: 05.09.2018

To,

The Chairman and CEO, SLNA for WDC-PMKSY in all States  
(As per list attached)

**Sub : Revision of Flexi-Funds within Centrally Sponsored Schemes – reg.**

Sir/Madam,

This is regarding operationalization of flexi-funds component within the Watershed Development Component of Pradhan Mantri Krishi Sinchai Yojana (WDC-PMKSY). Deptt. of Land Resources had issued broad guidelines to the States to use 10% of released funds as Flexi-Funds on 15<sup>th</sup> May 2014 (**Annexure I**) on the basis of the guidelines issued by the Ministry of Finance on 6<sup>th</sup> January, 2014.

2 Subsequently, based on the recommendations of the Sub-Group of the Chief Ministers and consultations with other stakeholders and with the approval of the Cabinet, NITI Aayog had issued instructions on the rationalization of CSS vide its O.M. No. O-11013/02/2015-CSS & CMC dated 17<sup>th</sup> August, 2016 (**Annexure II**) wherein *inter alia*, the Flexi-Funds available in each CSS was raised from the current level of **10% to 25% for States, and 30% for UTs** of the overall annual allocation under each schemes so that implementation can be better attended to the needs of individual States/UTs.

3 The objectives of introducing Flexi-Funds within Centrally Sponsored Schemes (CSS) are as follows:

- (i) To provide flexibility to States to meet local needs and requirements within the overall objective of any given Scheme at the sub-head level;
- (ii) To pilot innovation and to improve efficiency within the overall objective of any given scheme at the sub-head level;
- (iii) To undertake mitigation/restoration activities in case of natural calamities, or to satisfy local requirements in areas affected by internal security disturbances.

4 The Department of Expenditure (DoE), Ministry of Finance vide letter No. 55(5)/PF-II/2011 dated 06.09.2016 and 15.06.2018 issued instructions to operationalize these guidelines (**Annexure III & IV**). Accordingly, Deptt. of Land Resources has decided to enhance the Flexi-Funds component from 10% to 25% as per the details given below:

Contd...2



Component	Cost norms under Common Guidelines for WDP, 2011 (%)	Revised cost norms with Flexi-funds (%)
(1)	(2)	(3)
DPR Preparation	1	0.75
EPAs	4	3
Institution & CB	5	3.75
Watershed Dev. Works	56	42
Livelihoods for Asset-less	9	6.75
Production system & micro-enterprises	10	7.5
Consolidation	3	2.25
Monitoring	1	0.75
Evaluation	1	0.75
Admn.	10	7.5
Flexi-funds	0	25
<b>Total</b>	<b>100</b>	<b>100</b>

5 Out of the total releases to the States under WDC-PMKSY, 25% will be earmarked as Flexi-Fund and be utilized by States as per the guidelines issued by Ministry of Finance (Annexure I, II & III) within the overall objectives of WDC-PMKSY. For the remaining 75%, the Common Guidelines for Watershed Development Projects, 2008 (revised in 2011) and the Guidelines of WDC-PMKSY shall apply.

6 As per the Guidelines for Flexi-funds, the States which want to avail the Flexi-Fund facility, the State Level Sanctioning Committee (SLSC) under the chairmanship of Chief Secretary constituted for PMKSY will sanction projects or activities under the Flexi-Fund component with mandatory participation of the concerned Central Ministry.

7 Tentative State-wise allocation of Flexi-Fund under WDC-PMKSY along with *inter se* distribution of Budget among the States will be provided by the Deptt. of Land Resources. If any State is unable to claim / utilize Flexi-Fund, the same will be released and utilized under normal activities of WDC-PMKSY as mentioned in column 2 of the above table.

8 This guidelines will come in force with immediate effect.

9 This issues with the approval of Competent Authority.

Yours faithfully,



(MITTER SAIN)

Dy. Director General (WM)

Copy for information to:

- 1 PPS to SS (LR) / PPS to SS & FA.
- 2 PA to DDG (WM) / DIG (WM) / DS (WM) / DS (IFD).

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By speed post

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No. S-18014/14/2013-DPAP  
Government of India  
Ministry of Rural Development  
Department of Land Resources  
6<sup>th</sup> Floor, 11<sup>th</sup> Block, CGO Complex, Lodhi Road  
New Delhi - 110 003  
Dated: 15<sup>th</sup> May, 2014

To,  
The Chairman and CEO, SLNA for IWMP in all States  
(As per list attached)

**Subject: Introduction of flexi-fund component under IWMP – reg.**

Sir/Madam,

The Government of India has introduced flexi-funds component within Centrally Sponsored Schemes (CSS). A copy of Guidelines for Operationization of Flexi funds within CSS issued by the Department of Expenditure (DoE), Ministry of Finance is **enclosed** for ready reference. These Guidelines will be applicable from the financial year 2014-15. The introduction of a flexi-fund within the Centrally Sponsored Schemes (CSS) has been made to achieve the following objectives:

- (i) To provide flexibility to States to meet local needs and requirements within the overall objective of each programme or scheme;
- (ii) To pilot innovations and improved efficiency within the over all objective of the scheme in its expected outcomes;
- (iii) To undertake mitigation/restoration activities in case of natural calamities in the sector covered by the CSS.

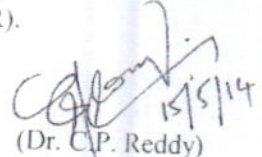
2. As per the Guidelines of Ministry of Finance, the Department of Land Resources has decided to implement flexi-fund component under IWMP. Out of the total releases for the States under IWMP, 10% will be kept as flexi-funds and be utilized by States as per the above guidelines of Ministry of Finance. For the remaining 90%, the Common Guidelines for Watershed Development Projects, 2008 (revised in 2011) shall apply. Under IWMP, the component-wise percentage of project cost has been prescribed in the Guidelines. Accordingly, component-wise percentage of revised cost norms after introducing flexi-funds under IWMP will be as under:

Component	Existing cost norms (%)	Revised cost norms with flexi-funds (%)
DPR Preparation	1	0.9
EPAs	4	3.6
Institution & CB	5	4.5
Watershed Dev. Works	56	50.4
Livelihood for Asset-less	9	8.1
Production system & micro-enterprises	10	9.0
Consolidation	3	2.7
Monitoring	1	0.9
Evaluation	1	0.9
Admn.	10	9.0
Flexi-funds	0	10.0
<b>Total</b>	<b>100</b>	<b>100</b>

Continued.....2/

  
15/5/14

3. It is requested to adhere the revised cost norms with flexi funds under IWMP. The utilization of flexi-funds should be as per the Guidelines issued by the DoE.
4. This issues with the concurrence of IFD and approval of Secretary (LR).



(Dr. C.P. Reddy)  
Deputy Commissioner (WD)  
Tele: 24360946

Copy for information to

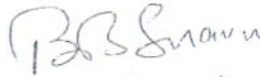
1. PPS to Secretary (LR)/PPS to SS (LR)/ PPS to AS & FA
2. PS to JS(WM)/PS to EA(LR)/DIGF(WM)/DIGF(Neeranchal)/DS(WM)/DS(F)

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Planning Commission  
(Plan Coordination & Management Division)  
\*\*\*\*\*

Subject: Guidelines for Operationalization of Flexi-Funds within Centrally Sponsored Schemes (CSSs).

The guidelines for Operationalization of Flexi Funds duly approved by the Department of Expenditure, Ministry of Finance have been received in Planning Commission. These guidelines will be applicable from the financial year 2014-15. A copy of the same is enclosed for ready reference.

  
(B.B. Sharma)  
Director (PCMD)

Encl: As above

Sr. Advisers / Advisers / HoDs, Planning Commission  
PC U.O. No. M-12043/ 03 /2013 -PC

dated 7<sup>th</sup> January, 2014

Copy to:

1. PPS to Secretary, Planning Commission

6945

9/1/14

F.No.55(5)/PF.II/2011  
Ministry of Finance  
Department of Expenditure  
Plan Finance-II Division

\*\*\*\*\*

New Delhi, dated January 6, 2014

Office Memorandum

Acty (to HD) : Please circulate

9/1/14

**Subject: Guidelines for Flexi-Funds within Centrally Sponsored Scheme (CSSs).**

Objectives

The introduction of a flexi-fund component within the Centrally Sponsored Schemes (CSS) has been made to achieve the following objectives:-

- (i) To provide flexibility to States to meet local needs and requirements within the overall objective of each programme or scheme;
- (ii) To pilot innovations and improved efficiency within the overall objective of the scheme and its expected outcomes;
- (iii) To undertake mitigation/restoration activities in case of natural calamities in the sector covered by the CSS.

Budgetary Allocation

2. Central Ministries concerned shall keep at least 10% of their Plan budget for each CSS as flexi-funds, except for Schemes which emanate from a legislation (e.g. MGNREGA), or, schemes where the whole or a substantial proportion of the budgetary allocation is flexible (e.g. RKVY)

Allocation of State Share

3. After approval of the Plan Budget, Central Ministries shall communicate tentative allocations for each CSS to States including the allocation of flexi-funds by the end of May of every financial year. In the CSS that are demand-driven or project-driven and it is not feasible to make allocations to States, tentative allocations for a quarter/half-year/year shall invariably be communicated to states by the end of May of every financial year. Allocation to the States shall be based on transparent and equitable criteria. Central Ministries shall make allocations for 10% of flexi-funds for the CSS amongst States in the same proportion as tentative State allocations in the 90% portion of the CSS.

4. Flexi-funds will be a part of the CSS and the name of the concerned CSS will precede the word 'flexi-funds', in the communication to States. There will be no separate budget and account head for this purpose.

5. As flexi-funds are a part of the concerned CSS, the same State share (including beneficiary contribution, if any) would be applicable for the flexi-fund component as well. However, States may provide additional share (including beneficiary contribution, if any) over and above the required State share for the flexi-funds component of the allocation for the CSS.

Use of flexi-funds

6. States may use the flexi-funds for the CSS to meet the objectives mentioned above in accordance with the broad objectives of the main Scheme. The flexi-funds may also be utilized for mitigation/restoration activities in the event of natural calamities in accordance with the broad objectives of the CSS. However, the specific guidelines of the CSS, applicable for 90% of the CSS allocation, will not be essential for the Flexi-funds component of the CSS, except for State share requirements.

7. The flexi-funds of a CSS in a particular sector, however, shall not be diverted to fund activities/schemes in other sectors. For example, if a particular CSS relates to elementary education, the flexi-funds for that scheme can only be used for elementary education and not for agriculture or any other sector. But it would be permissible to converge flexi-funds of different schemes to improve efficiency and effectiveness of outcomes.

8. The purpose of providing flexi-funds is to enable States to undertake new innovative schemes in the particular area covered by the CSS. Flexi-funds shall not be used to substitute State's own non-Plan or Plan schemes/expenditure. It shall also not be used for construction/repairs of offices/residences for Government officials, general publicity, purchase of vehicles/furniture for offices, distribution of consumer durables/non-durables, incentives/rewards for staff and other unproductive expenditure.

9. Schemes taken up with Flexi-funds shall invariably carry the name of concerned CSS.

10. The State-level Sanctioning Committee (SLSC) may sanction projects under the flexi-funds component. States will not be required to send the project to Ministries for approval under the flexi-funds window as the SLSC will have a representative of the concerned Ministry and Planning Commission.



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States wishing to use flexi funds as part of the normal 90% component are free to do so.

#### Release of Flexi-funds

11. Release of flexi-funds for each CSS may be made on a prorata basis along with the normal releases under CSS. In other words, no separate system for release or for utilization certificates for flexi-funds would be required.

12. Flexi-funds within each CSS will be subject to the same audit requirements as the main CSS including the audit by the Comptroller & Auditor General of India (CAG).

#### Monitoring & Evaluation

13. Web-based requirements for reporting the use of flexi-funds may be designed by adding modules to the existing MIS. Outcomes (medium term) and outputs (short term) need to be part of the MIS along with pictures/images and good practices to ensure greater transparency and cross-learning across States. For this purpose, web portal for sharing best practices is proposed to be created in Planning Commission.

14. Evaluation of flexi-funds may be done through the existing evaluation processes including those by Ministries, Programme Evaluation Organisation (PEO) and Independent Evaluation Organisation (IEO), Planning Commission and by independent third parties. Terms and conditions for evaluation may be designed in such a manner that outcomes of the Scheme as a whole as well as flexi-funds are well identified/measured.

15. These guidelines will be applicable from the financial year 2014-15.

*Saurabh Garg 6/1*

(Dr. Saurabh Garg)  
Joint Secretary (Plan Finance-II)  
Government of India

To,

1. Secretaries,  
All the Departments/Ministries  
Government of India.
2. Chief Secretaries,  
All States/Union Territories.

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Annexure II

File No.O-11013/02/2015-CSS & CMC  
Government of India  
NITI Aayog  
(Governing Council Secretariat)

Sansad Marg,  
New Delhi -110001

August 17, 2016

OFFICE MEMORANDUM

**Subject: Rationalization of Centrally Sponsored Schemes- Based on the Recommendations and suggested course of action by the Sub-Group of Chief Ministers- approved by the Cabinet.**

Based on the recommendations of the Sub-Group of Chief Ministers and consultation with various Ministries/ Departments and other stakeholders, Government of India has decided, with the approval of the Cabinet, to rationalize the Centrally Sponsored Schemes (CSSs) in the following manner:

**1. National Development Agenda:**

1.1. The following sectors would form a part of the National Development Agenda:

- I. Poverty Elimination – Livelihoods, Jobs and Skill Development
- II. Drinking Water and Swachh Bharat Mission
- III. Rural Connectivity: Electricity; Access Roads and communication
- IV. Agriculture, including Animal husbandry, Fisheries, Integrated Watershed Management and Irrigation
- V. Education, including Mid-Day Meal
- VI. Health, Nutrition, Women and Children
- VII. Housing for All: Rural and Urban
- VIII. Urban Transformation
- IX. Law and Order, Justice Delivery Systems
- X. Others, which may include: Wildlife Conservation and Greening

1.2. The Union and the State Governments would focus jointly on the achievement of the overarching objectives through the instrumentality of CSS.

**2. Number of CSS & their Classification:**

2.1. The existing 66 Centrally Sponsored Schemes (CSSs) have been rationalized into 28 umbrella schemes. The list of schemes approved by the Cabinet is enclosed at Annexure-I.

2.2. Out of 28 umbrella schemes, 6 schemes have been categorized as Core of the Core schemes, 20 schemes as Core schemes, and remaining two as Optional schemes. If required, related schemes could be merged and implemented as "Umbrella Schemes", with flexibility to States to administer the admissible components in line with State-specific requirements.

2.3. Core Schemes will have compulsory participation by the States, whereas participation amongst the Optional Schemes would be by choice.

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2.4. Core of the Core Schemes are legislatively backed or are designed to subserve the vulnerable sections of our population, and existing funding pattern will continue for these Schemes.

2.5. Classification and share of the Central Government for the Border Area Development Programme (BADP) will be decided by the Finance Minister in consultation with Ministry of Home Affairs and NITI Aayog.

### **3. Budgeting Core and Optional schemes:**

3.1. Allocation of funds for the Core Schemes in the Union Budget shall be done by Ministry of Finance in the Demand for Grants of the Central Line Ministries. Inter-state distribution shall be on the basis of criteria evolved by a *Committee comprising Secretary of Nodal Administrative Ministry as Chairman, Financial Adviser of the Ministry, and Adviser concerned of NITI Aayog as Members.*

3.2. For Optional Schemes, a lump sum provision for each State may be intimated in advance on the basis of which states would inform the Ministry of Finance of the preferred distribution within the overall ceiling indicated.

3.3. The Consolidated Demand for the States under this head would be routed through the NITI Aayog to the Ministry of Finance.

3.4. Additionally, the State will have a flexibility of portability from the Optional schemes (should it choose not to utilize its entire allocation under that head) to any other CSS component within the overall budgetary allocation for the State under Central Assistance to State Plans (CASP).

### **4. Funding Pattern:**

4.1. The existing funding pattern will continue for Core of the Core schemes.

4.2. For Core Schemes, the funding pattern for the 8 North Eastern States and Himalayan States of Uttarakhand, Himachal Pradesh and Jammu & Kashmir shall be Centre: 90% and State: 10%, whereas for the rest of the States this ratio shall be Centre: 60% and State: 40%.

4.3. For Optional Schemes, the funding pattern for the 8 North Eastern States and Himalayan States of Uttarakhand, Himachal Pradesh and Jammu & Kashmir shall be Centre: 80% and State: 20%, whereas for the rest of the States this ratio shall be Centre: 50% and State: 50%.

4.4. Ordinarily, no CSS will be sanctioned where the central share is less than 50%.

4.5. However, all the sharing patterns indicated above shall be subject to the proviso that if the central share is already below that indicated in the sharing pattern, then the Centre's share would remain capped at their present level.

### **5. Cost norms:**

5.1. In construction-based schemes, States may decide cost norms on the basis of Schedule of Rates applicable to the concerned States. Flexibility in cost norms is also introduced in non-construction based schemes, wherever possible. However, the flexibility provided shall be subject to the condition that such flexibility would not create any entitlements for an increased allocation under a Scheme.

## 6. Flexibility and Flexi-funds:

- 6.1. While designing the CSS, the Central Ministries shall permit flexibility in the choice of components to the States as available under the Rashtriya Krishi Vikaas Yojana (RKVY).
- 6.2. The flexi-funds available in each CSS has been raised from the current level of 10 percent to 25 percent for States and 30 percent for UTs of the overall annual allocation under each Scheme so that the implementation can be better attuned to the needs of individual States/ UTs.

## 7. Release of Funds:

- 7.1. Release of an instalment would not be predicated on producing Utilization Certificates (UCs) of the last instalment, and that release would be based on the furnished UC of the penultimate (last to last) instalment.
- 7.2. A pre-authorization based approach would be adopted on a financial year basis, with a gradual transition towards an automated 'just-in-time' release of cash on a quarterly basis during 2016-17 to remove uncertainty in release of central share of CSS.
- 7.3. The extant procedure, which mandates immediate release of funds from State Treasuries to implementing agencies failing which penal rate is imposed, is abolished.
- 7.4. Tracking of expenditure is important as a monitoring tool. Hence, the Public Financial Management System (PFMS) would be suitably integrated with the State Treasuries in 2016-17 itself. However, such integration should not be a condition precedent for release of funds to States.
- 7.5. States with comfortable cash position are allowed to seek their share of Central Assistance as reimbursements after having funded the activities/projects through their own funds.

## 8. Local Body Grants:

- 8.1. In respect of releases to Local Bodies from Government of India, the State Governments are permitted to issue suitable advisories relating to prioritization for development expenditure with respect to Schemes/Sectors in the National Development Agenda especially relating to basic services out of the substantial funds that will devolve on them with effect from 2015-16.

## 9. Institutional Arrangement:

- 9.1. A Standing Committee would be constituted, under the Chairpersonship of CEO, NITI Aayog with nominees from every State/UT and suitable representation from Ministry of Finance and concerned Central Ministries, for ensuring smooth implementation of CSS.
- 9.2. This Committee would meet at least twice a year. The first meeting would be held immediately after the finalization of the Union Budget, and the second meeting would be held in November/December.
- 9.3. The deliberations of the Committee must be guided by an approach that focuses on problem-solving, advocacy and handholding on behalf of the States, as well as providing a forum for sharing and dissemination of best practices.

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9.4. This arrangement would be without prejudice to the responsibility cast upon Central Ministries to monitor the implementation of Schemes relating to their Ministry.

**10. Evaluation of the Schemes:**

10.1. NITI Aayog shall take up monitoring and independent evaluation of important Centrally Sponsored Schemes, especially as there is a need to transit from monitoring expenditure to monitoring outcomes.

**11. Arrangement for UTs:**

11.1. The transfer of funds to UTs for non-plan and non-development purposes is administered through the Demand for Grants of the Ministry of Home Affairs (MHA). The existing arrangements would continue.

11.2. Funds for development purposes, both for Central Sector and Schemes under the National Development Agenda, would be allocated UT-wise by Ministry of Finance on the basis of consultation with UTs and NITI Aayog.

11.3. Instead of implementing a large number of schemes, UTs would be given flexibility in choosing the sectors in which they have identified potential and where they are likely to benefit from concerted interventions.

11.4. All Core and Optional Schemes would be funded 100% by Centre in all UTs (without legislature). For UTs (with legislature), existing funding pattern would be followed for all Core of the Core and Core Schemes. For Optional Schemes, the funding pattern of 80% by Centre and 20% by UTs (with legislature) would be followed.

11.5. For better synergy between Central sector and Centrally Sponsored Schemes, UTs in consultation with NITI Aayog may also recommend restructuring of Central sector initiatives, if required, in the selected sectors.

**12. Review:**

12.1. The actual working of these provisions would be reviewed for desired course correction in the spirit of cooperative federalism after two years or any other suitable period.

13. These arrangements have come into force in the current year 2016-17.

*A. Tiwari*  
(Alka Tiwari)  
Adviser (GCS)  
Tel: 23096655

To

1. All the Secretaries of Government of India (as per the list)
2. Chief Secretaries of All States/ UTs (with Legislature)/ Administrators of UTs (without Legislature) – (as per the list)

**Copy for information to:**

1. PS to Vice Chairman, NITI Aayog
2. PS to MOS(I/C), Planning
3. PS to Members (BD)/(VKS)/(RC), NITI Aayog
4. Sr. PPS to CEO , NITI Aayog
5. PS to Principal Adviser(Social Sectors), NITI Aayog
6. PS to Special Secretary(YSM), NITI Aayog
7. PS to Addl. Secretary(AK), NITI Aayog
8. PS to Sr. Consultant (Dr. P.K.Anand) / (Shri B.N. Satpathy), NITI Aayog

**Copy for information to:**

1. Adviser (FR) / GCS, NITI Aayog
2. JS (Budget), Budget Division, Deptt. of Expenditure, M/o Finance, North Block, New Delhi
3. JS (PF-I), Deptt. of Expenditure, M/o Finance, North Block, New Delhi
4. JS (PF-II), Deptt. of Expenditure, M/o Finance, North Block, New Delhi
5. Controller General of Accounts, Deptt. of Expenditure, M/o Finance, New Delhi

**Copy also for information to:**

Sr. Advisers / Advisers /OSDs of all Verticals / SMDs, NITI Aayog

Annexure-IRationalized Centrally Sponsored Schemes in accordance with the National Development Agenda

Sl. No.	Name of the Centrally Sponsored Schemes (CSSs)
<b>(A)</b>	<b>Core of the Core Schemes</b>
1	National Social Assistance Programme
2	Mahatma Gandhi National Rural Employment Guarantee Programme
3	Umbrella Scheme for Development of Scheduled Castes
4	Umbrella Scheme for Development of Scheduled Tribes
5	Umbrella Programme for Development of Minorities
6	Umbrella Scheme for Development of Backward Classes, Differently Abled and other Vulnerable Groups
<b>(B)</b>	<b>Core Schemes</b>
7	Green Revolution (Krishi Unnati Schemes and Rashtriya KrishiVikas Yojana)
8	White Revolution (Animal Husbandry and Dairying)
9	Blue Revolution (Integrated Development of Fisheries)
10	Pradhan Mantri Krishi Sinchai Yojana
a	Har Khet ko Pani
b	Per Drop More Crop
c	Integrated Watershed Development Programme
d	Accelerated Irrigation Benefit and Flood Management Programme
11	Pradhan Mantri Gram Sadak Yojana (PMGSY)
12	Pradhan Mantri Awas Yojana (PMAY)
a	PMAY-Rural
b	PMAY-Urban
13	National Rural Drinking Water Mission
14	Swachh Bharat Mission (SBM)
a	SBM-Rural

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	b	SBM-Urban
15		National Health Mission (NHM)
	a	National Rural Health Mission
	b	National Urban Health Mission
	c	Tertiary Care Programmes
	d	Human Resources in Health and Medical Education
	e	National Mission on AYUSH
16		Rashtriya Swasthya Suraksha Yojana (erstwhile RSBY)
17		National Education Mission (NEM)
	a	Sarva Shiksha Abhiyan
	b	Rashtriya Madhyamik Shiksha Abhiyan
	c	Teachers Training and Adult Education
	d	Rashtriya Uchch Shiksha Abhiyan
18		Mid Day Meal Programme
19		Integrated Child Development Services
	a	Anganwadi Services
	b	National Nutrition Mission
	c	Maternity Benefits Programme
	d	Scheme for Adolescent Girls
	e	Integrated Child Protection Scheme
	f	National Creche Scheme
20		Mission for Protection and Empowerment for Women (beti bachao-beti padao, one-stop centre, women helpline, hostels, swadhar greh, gender budgeting etc.)
21		National Livelihood Mission (NLM)
	a	National Rural Livelihood Mission
	b	National Urban Livelihood Mission
22		Jobs and Skill Development
	a	Employment Generation Programmes
	b	Pradhan Mantri Kaushal Vikas Yojna



23		Environment, Forestry and Wildlife (EFWL)
	a	National Mission for a Green India
	b	Integrated Development of Wildlife Habitats
	c	Conservation of Natural Resources and Ecosystems
	d	National River Conservation Programme
24		Urban Rejuvenation Mission (AMRUT and Smart Cities Mission)
25		Modernization of Police Forces (including Security Related Expenditure)
26		Infrastructure Facilities for Judiciary (including Gram Nyayalayas & e-Courts)
(C)		<b>Optional Schemes</b>
27		Border Area Development Programme
28		Shyama Prasad Mukherjee Rurban Mission

F.No. 55(5)/PF-II/2011  
Ministry of Finance  
Department of Expenditure  
Plan Finance-II Division

New Delhi, dated 6<sup>th</sup> September, 2016

**Office Memorandum**

**Subject: Guidelines for Flexi-Funds within Centrally Sponsored Schemes.**

Reference is invited to this Department OM of even no. dated 6<sup>th</sup> January, 2014 on the subject mentioned above. It was stipulated that the Central Ministries should provide 10% of their budget under each CSS as a flexi-fund, except for schemes which emanate from a legislation or where the whole or a substantial proportion of the budgetary allocation is flexible.

2. Based on the recommendations of the Sub-Group of Chief Ministers and consultations with stake holders, NITI Aayog has issued instructions for Rationalization of CSS, vide OM No. O-11013/02/2015-CSS & CMC dated 17<sup>th</sup> August, 2016. As per para 6 of the said OM, flexi-funds available in each CSS has been raised from the current level of 10% to 25% for States, and 30% for UTs, of the overall annual allocation under each scheme.

3. These instructions will be applicable for Centrally Sponsored Schemes, except those which emanate from a legislation (e.g. MGNREGA), or, schemes where the whole or a substantial proportion of the budgetary allocation is flexible (e.g. Rashtriya Krishi Vikas Yojna, Border Area Development Program, Shyama Prasad Mukherjee Rurban Mission etc.). The provisions of this Department's OM No.55(5)/PF-II/2011 dated 6<sup>th</sup> January, 2014 *ibid* are substituted as follows:

**Objectives**

4. The flexi-fund component within the Centrally Sponsored Schemes can be used to achieve the following objectives:

- (i) To provide flexibility to States to meet local needs and requirements within the overall objective of any given Scheme at the sub-head level;
- (ii) To pilot innovation to improve efficiency within the overall objective of any given Scheme at the sub-head level;
- (iii) To undertake mitigation/ restoration activities in case of natural calamities, or to satisfy local requirements in areas affected by internal security disturbances.

**Fund Allocation and Approval**

5. States may, if they so desire, set aside 25% of any Centrally Sponsored Scheme (including the central and state share for any given scheme in a financial year) as flexi fund to be spent on any sub-scheme or component or innovation that is in line with the overall aim and objectives of the approved Scheme.

6. The States, who want to avail of the flexi-fund facility, should constitute a State Level Sanctioning Committee (SLSC) on the lines of RKVY to sanction projects or activities under the flexi-fund component. However, participation of the concerned Central Ministry would be mandatory in the SLSC before the flexi-fund facility is invoked under any Centrally Sponsored Scheme.

7. It may be noted that the Name, Acronym and the Logo are the core feature of any Centrally Sponsored Scheme, which must be retained for the flexi fund component as well. If the States change any of these core features, the central contribution will cease and the flexi fund component will become a purely state scheme.

**Use of flexi-funds**

8. The flexi-fund would continue to be part of the parent Centrally Sponsored Scheme. It may be operated at the level of the Scheme, Sub-scheme and its Components, but not at the level of the Umbrella Program, *for example*, flexi-funds can be spent on any sub-scheme or component, including creation of a new innovative component, under the primary education scheme, but cannot be used to move primary education funds to the higher education or to any other sector. However, it would be permissible to use flexi-funds to converge different schemes under an umbrella program to improve efficiency and effectiveness of outcomes, *for example*, nutrition mission can be used to converge anganwadi services with maternity benefits, and health care networks can be used to provide a continuum of health care services across the primary, secondary and tertiary levels.

9. It may also be noted that the purpose of flexi-funds is to enable the States to satisfy local needs and undertake innovations in areas covered by the Centrally Sponsored Schemes. Flexi-funds should not be used to substitute State's own schemes and project expenditures. It should also not be used for construction/repair of offices/residences for government officials, general publicity, purchase of vehicles/furniture for offices, distribution of consumer durables/non-durables, incentives/rewards for staff and other unproductive expenditures.

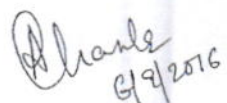
**Monitoring, Evaluation & Audit**

10. Web-based reporting for the use of flexi-funds may be designed by adding modules to the existing MIS. Outcomes (medium term) and outputs (short term) should be part of the MIS along with pictures/images and good practices to ensure greater transparency and learning across States.

11. Evaluation of flexi-funds may be done through the existing evaluation mechanism, including those set by the Ministries, NITI Aayog, or by independent third parties. Terms and conditions for evaluation may be designed in such a manner that outcomes of the Scheme as a whole, as well as the flexi-funds are well identified and measurable.

12. Flexi-funds within each CSS will be subject to the same audit requirements as the parent Centrally Sponsored Scheme, including audit by the Comptroller & Auditor General.

13. *These guidelines issue with the approval of the Finance Minister and come into force with immediate effect.*

  
(Arunish Chawla)

Joint Secretary to the Government of India

- 1. Secretaries, All Departments/Ministries, Government of India.
- 2. Chief Secretaries, All States/Union Territories.

AJAY K. RAYAN JHA

Secretary, Expenditure

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF EXPENDITURE

D.O. No. 55(05)/PF. II/2018

June 15, 2018

Dear Secretary

This is with reference to the detailed guidelines of Flexi-Funds within Centrally Sponsored Schemes issued by the Department of Expenditure *vide* its O.M. of even number dated 6<sup>th</sup> September, 2016 (copy enclosed)

2. It may be recollected that based on the recommendations of the Sub-Group of Chief Ministers and consultations with other stakeholders, with the approval of the Cabinet, NITI Aayog had issued instructions on the rationalization of CSS *vide* its O.M. dated 17<sup>th</sup> August, 2016 wherein *inter alia*, the Flexi-Funds available in each CSSs was raised from the current level of 10% to 25% for States, and 30% for UTs of the overall annual allocation under each scheme.

3. *Vide* DoE O.M. *ibid.* it was stated that the Flexi-Fund component within the CSSs can be used to achieve the following objectives

- (i) To provide flexibility to States to meet local needs and requirements within the overall objective of any given Scheme at the sub-head level;
- (ii) To pilot innovation to improve efficiency within the overall objective of any given Scheme at the sub-head level;
- (iii) To undertake mitigation/restoration activities in case of natural calamities, or to satisfy local requirements in areas affected by internal security disturbances.

4. With regard to the implementation of flexi-funds, it was stated by DoE O.M. *ibid.* that the States, who want to avail of the flexi-funds facility, should constitute a State Level Sanctioning Committee (SLSC) on the lines of RKVY to sanction projects or activities under the flexi-fund component with mandatory participation of the concerned Central Ministry.

5. With regard to the use of Flexi-Fund, *inter alia*, the DoE O.M. *ibid.* also stated that the purpose of flexi-fund is to enable the States to satisfy local needs and undertake innovations in areas covered by the Centrally Sponsored Schemes. Such kind of funds may be used to converge different schemes under an umbrella programme to improve efficiency and effectiveness

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6. It is requested that all concerned officials suitably incorporate the provisions of Flexi-funds into the individual scheme guidelines of CSS and encourage the States/UTs to optimally utilize the funds, addressing the specific local needs of the State Governments / UTs and bridging felt gaps in implementation of the CSSs. Such guidelines may clearly specify the different kind of natural calamities like flood, earthquake, tsunami, storms, etc. and examples of mitigative/restorative activities in the sector covered by the individual CSS. This may also cover the sectors to be covered under flexi-funds for areas affected by internal security disturbances.

7. Every year after the approval of the Budget, Central Ministries may communicate the tentative allocation for flexi-funds under each CSS while indicating the allocation for each CSS to the States to nudge them to fruitfully use flexi-funds at their disposal. Copy of the communication regarding allocation of funds / flexi-funds may also be shared with the Department of Expenditure.

8. A report on the experience of the Ministry / Department as well as the States / UTs on the use of Flexi-Funds in various CSSs may also be shared with the Department of Expenditure for further strengthening the scheme architecture vis-a-vis the use of flexi-funds.

9. In the EFC memorandum for CSS, amount of total flexi-fund available under the scheme may also be indicated in the para on "Approval Sought". The memo may also contain a para on indicative list of items that may be covered under the ambit of the flexi-funds.

10. You are requested to ensure that the guidelines on "Flexi-Fund" are followed in your Ministry/Department both in letter and spirit.

With warm regards,

Yours sincerely

9/9/16  
( A.N. Jha )

All the Secretaries of the Govt. of India

cc: The CEO, NITI Aayog