Re-Examining The Shared Spending Power Vis-A-Vis Social Sector Priorities: Lessons from Other Countries

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Abstract

Any Federal system is based on cooperation and coordination but attach high importance to uniform living condition. Expansion of a "welfare state" necessitates expanding expenditure on social sectors, which have to be organized on a state-to-state basis in the interest of economy and efficiency and to allow diversities between different regions.
In Federal jurisdictions, the Union looks into matters of National importance while states are responsible for local and regional significance, which are associated with the welfare of the people. In the Indian Constitution, the enumeration of the lists was done to secure autonomy for the states. However, it has enabled the Union and the states to provide grants outside the limits of its legislative competence under Article 282 through Centrally Sponsored Schemes (CSS). This has brought forth the complexity of shared spending power or overlapping power, which significantly impacts the spending priorities of the States.
The present paper analyzes the impact of overlapping or shared spending power on social sector priorities of the states. Further, the paper re-examines Article 282 of the Indian Constitution with experiences from the U.S. and Australian Constitutional provisions.
Keywords: Article 282, Shared Spending Power, Centrally Sponsored Schemes, Education, Health, Public Purpose, Federalism

Introduction

A measure of a country's welfare has become quite relevant in research as it is not only the economic and social development that attributes to a country's overall growth. Welfare is a multidimensional concept that includes various aspects of human life. Expansion of the idea of the welfare state necessitates the development of the social sector based on the interest and priorities of the states. One parameter of measuring social development is the human development index (HDI) which aims to measure critical dimensions of human development. The HDI ranking depends on factors like life expectancy, Health, Education, Work, Employment, etc. (*Dutta, 2011*). Over the last three years, India has been ranked 131 out of the 189 countries on the Human Development Index. (*Human Development Index Ranking, 2021*) The ranking has exposed all the fault lines in the social development in India, which is a consequence of lack of social development policies, problems in the implementation of policies, or underinvestment in those policies.
India spends very little money on social sectors like Health and education. As per world bank data, India has spent 3.01 % of G.D.P. on Health and 3.05% of G.D.P. on Education in the year 2019, which is much less compared to its peers. (*Worldbank Open Data, 2022*) Further, the aim was to spend 6% and 8% of G.D.P. on Education (*National Policy on Education, 1986*) and Health (*XV Finance Commission Recommendations*, 2021), respectively.
India's position in HDI ranking and low expenditure on the social sectors necessitates studying the expenditure on the subject of welfare. To facilitate that, The Constitution of India has demarcated responsibilities to the different levels of government. Schedule VII of the Constitution provides a clear demarcation of the responsibilities. It is worth mentioning that the subject matter of Health falls under the State List with some subject matters in the concurrent list which indirectly touch upon the subject matter of public Health. Further, the subject matter of education, social security, social insurance, employment, and unemployment falls under the scope of concurrent list, which means that the Centre and the State both have legislative powers over these. The legislation and execution of policies majorly depends on the financial resources available to the states.
India is a Quasi-federal Country where the Union and States have their own sources of revenue generation. However, the States are in a weaker position and to fill the gap; the Constitution has provided for the mechanisms of fund transfer from Union to States. (*Part XII, Chapter I, Indian Constitution*) There are different routes through which the Centre transfers funds to States. One is the Finance Commission (F.C.) transfers, wherein the Finance Commission devolves funds as per the constitutional provision. (*Art. 270, Art 275, Indian Constitution*) There is

another mode of transfer to states wherein the Union and the States have the power to spend on any subject matter irrespective of their legislative competency. (*Art. 282, Indian Constitution*) This is known as *overlapping or shared power of expenditure*. These are usually project-specific transfers and are normally given for implementing the Centrally Sponsored Schemes (CSS) of the Central Ministries. The centrally sponsored schemes are designed and partially funded by the Central Government and the implementational part is left to the State Government. Centrally Sponsored Schemes form a substantial portion of intergovernmental transfers and therefore have a high ability to affect the state expenditure on the social sector schemes.

The paper addresses the issues to highlight that the (mis)use of overlapping/shared spending power under Article 282 leads to the centralization of social sector policies. Furthermore, the paper highlights that the centralization of social sector policies adversely affects the State's priorities leading to reduced autonomy of the states, thereby creating a constitutional crisis in a federal country.

Overlapping/ Shared Spending Power and Fiscal Autonomy of States in India

The Constitution of India has adopted Article 282 from the Government of India Act, 1935. Article 282 says, "*Expenditure defrayable by the Union or a State out of its revenues: The Union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one concerning which Parliament or the Legislature of the State, as the case may be, may make laws"*. The provision suggests that both the Union and the State has been empowered to provide grants for any "*public purpose*" irrespective of their legislative competence. A bare reading of the provision suggests that despite the demarcation of legislative and administrative powers of the Union and the States by the Constitution of India, it provides unrestricted financial power for public purposes. This provision has provided a wide discretion to the Union Government to make grants for the welfare schemes, which may come under the strict domain of the State Government.

Article 282 has been used to transfer grants through the Centrally Sponsored Schemes. Centrally Sponsored schemes are developed by the Centre, implemented at the State level, and financed by both the Centre and the State. The problem with Centrally sponsored schemes is that there is no overall policy concerning Centrally Sponsored Schemes. "There is overlapping of coverage in the schemes sponsored by different Union Ministries. At State level also, consultations are made directly with concerned departments and such schemes are not well integrated with the States' Plans from the beginning. The discontinuation or modification of such schemes in some cases is also alleged to have been wasteful in terms of infrastructure developed for them" (*Sarkaria Commission*, 1988). Article 282 has often been misused by the Centre to make discretionary transfers that were against the spirit of the Constitution. The Centre uses the plan transfers to exercise control over the states. The transfers under this article often lacked transparency. The situation is made murkier by implementing numerous Centrally Sponsored Schemes (CSS), which include the flagship schemes of the Central Government on which astronomical sums are spent each year, often with questionable justifications. This aberration was further eroded by the direct fiscal transfers by the Centre outside the States' budgets and accounts, bypassing the internal controls that are inherent in budget execution and accounting. They not only render the process illegal and unconstitutional; they dilute and undermine the authority of the States. (*Bhattacharjee, 2014*) These direct transfers under the CSS have been burgeoning since the last few decades and now constitute between majority of the total Central grants coming to the States.

Sarkaria Commission has also questioned the issue in its report "*A State Government has pointed out that the heavy dependence of the States on the Union for financial resources has resulted in progressive erosion of the jurisdiction, authority and initiative of the States in their own constitutionally defined spheres. Further, it has manifested in a gradual decline in the relative share of the States' Plan outlay in the total, growing outlay of the Union on State subjects, the proliferation of Centrally Sponsored Schemes and the Union's tight control over planning in the States."* Further, the Constitutionality of Article 282 has been disputed many times, and the question has been put to rest after the decision in the case of *Bhim Singh v. Union of India*. ((2010) 5 SCC 538)

It has been alleged that the Centrally Sponsored Schemes have centralized the social sector which was intended to be the major responsibility of the State as per Article 246 of the Indian Constitution. It is now pertinent to see how Centrally Sponsored Schemes affects the fiscal autonomy of the States. The Fiscal Autonomy of a state can be evaluated based on the indicators identified by OECD i.e. the Policy Autonomy, Budget Autonomy, Input Autonomy and Monitoring Autonomy. (*Kantorowicz & Grieken, 2019*) To evaluate the state autonomy, Centrally Sponsored Schemes in different sectors like Health and Education needs to be evaluated. The two parameters are chosen as they hold a high weightage in the Human Development Ranking Index.

Health and Nutrition

The Lancet reports huge health inequality among subnational states, which demands decentralized health planning and policies based on the specific needs of the states. (*The Lancet, 2017*) Health is broadly a subject matter in State List (*Entry 6, List II, Indian Constitution*). The Central Government has made a lot of Central Sector as well as Centrally sponsored schemes in the domain of Health. The important point to be looked at is the role of the states in those schemes. While the debate of restructuring and rationalising the centrally sponsored scheme was at

its peak, Prime Minister launcher the PM Jan Arogya Yojana (PM-JAY) as a core scheme. The scheme aimed to provide health assurance coverage to the people prioritising the health needs of the poor, touching upon the entry 6 of List II and entry 23 of the List III.
With regard to policy-making, the State has no role in determining the coverage and beneficiaries of the scheme. Further, the packages are also fixed by the N.H.A. thereby giving the least autonomy to the states in policy formulation. The Centrally Sponsored Schemes are provided with the budget as per the Union Budget and the states are not consulted in this regard. The financing breakdown of PMJAY between Centre and State is in the ratio of 60:40 which is granted in 3 instalments of 45% investments of each government's share in the first 2 instalments and 10% share in the second Instalment. (Ayushman Bharat, 2020) The Scheme is although provides for a flexible implementation mechanism. The scheme can be implemented in the Assurance/ Trust Model, Insurance Model or Mixed Model and the State Health Authority will be the apex in implementing. Stating that, at the implementation level, the financial implications of the scheme is at a critical stage. The implementation depends on three things, i.e the resources available, the distribution of resources between Centre and State, and the State's capacity to absorb the additional costs. Being a very expensive scheme, it becomes very difficult for the states to finance the PM-JAY scheme. PM Jay requires high expenditure which may squeeze out investments from other essential health sector services. Thereby reducing the states to determine their priority schemes. (*Gupta, Chowdhury, et.al,, 2020)*
National Health Mission has been one of the significant CSS whose fund allocation has a significance value in Central Budget. It is a comprehensive scheme that covers all health aspects in Rural and Urban India through NRHM and NUHM respectively. N.H.M. has a flexible and decentralised approach of planning. (National Health Mission, 2020) The funds, under N.H.M., are provided to states in flexipool which they can utilise as per their local needs and national priorities, latter being more significant. The release of funds is also conditional on the utilisation of funds in the previous year for the purpose they have been given. The Ministry inspects the performance of states through utilisation certificates and audits while deciding on sanctioning further grants. Despite being termed "flexipools" the fund devolution and expenditure are strictly segregated within the programmatic divisions. (*Choudhury & Mohanty*, *2018*) furthermore, the funds have also been earmarked for specific diseases. This segregation of funds into each scheme reduces the State's ability to allocate funds according to its healthcare priorities.
Notwithstanding the State's requirements, funds have to be spent in the nationally defined programs irrespective of the local context. (*Nambiar, 2021*) Hence, the rigid requirements for fund utilisation can reduce efficiency by restricting the State's flexibility to spend resources. While the planning and budgeting process for the scheme is carried out in a bottom-up manner, flexibility in guidelines for implementation would help states spend the allocated amount in their respective context.
The rigid fund devolution pathway of the scheme and its subsequent bleak implementation throws light on the restricting effect centrally sponsored schemes can have on the State's ability to execute development initiatives. While the union executive is instrumental in setting down national priorities for social welfare, including states in the decision-making stages and providing them flexibility in implementation would help achieve better outcomes. As seen in the case of N.H.M., the lack of autonomy has led to low expenditure, hence accumulating the public's money in government coffers. Bringing in the states' perspectives will help translate the scheme's objectives into results on the ground to address citizens' healthcare needs. (*Gangwar*, *2020*)

Education

Education is a subject matter which is significant for discussion with respect to federalism as earlier education was a state subject. Post-independence also, education was a state subject. However, substantial control was given to the Union. To substantiate the same, Schedule VII of the Constitution can be referred, where entry 11 of List II includes universities as state matter, subject to Entries 63, 64, 65 and 66 of List I and Entry 25 of List III. This shows that despite education being the state subject, there is the interference of Union allowed through various entries in the Union List and Concurrent List which have national importance and determines the standards for institutions of higher education and scientific research and economic and social planning in the field of education. (*Sahoo, 2020*)
Later, education was shifted from the state list to the concurrent list in the year 1976. (*The Constitutional (forty Second Amendment) Act, 1976*) Then the Union occupied the field of education by various Centrally sponsored schemes like ICDS. Early Childhood care and education.[i] (*Niranjan Sahoo, 2020*) In 2018, National Education Mission or *Samagra Shiksha Abhiyan (SMSA)* launched has subsumed three schemes i.e. *Sarva Shiksha Abhiyan* (S.S.A.), *Rashtriya Madhyamik Shiksha Abhiyan* and Teacher Education to ensure universality in higher education as well. SMSA is a Centrally sponsored scheme that imposes a shared responsibility of financial implementation on both the Union and the States in the fund sharing ratio of 60:40 for general category states. The Centre provides the funds for SMSA from the education cess collected which makes the scheme financially dependent and uncertain. Additionally, there is the issue of utilizing the cess money completely dedicated to school education.

The standing committee report implies that a total of 6.8% out of cess collected in 2004-05 to 2016-17 remains unutilised. (*Kundu & Rastogi, 2020*)

Samagra Shiksha Abhiyan after subsuming three existing policies aimed to provide flexibilities to states however, it could provide only limited flexibility as the budgetary heads were same as before. Even though the policy provides for a decentralised planning from school level to Union Level, there is a mismatch between the needs and requirements of the school and the amount provided in grants. To ensure standardisation of education delivery all over the states, the planning and negotiation is done between the Union and States which often results in a slugfest between central government priorities and State perceived needs. (*Bose, Noopur & Nayudu, 2022*)

The two examples can establish a direct correlation between the overlapping/ shared expenditure schemes and the decrease in financial autonomy of the states because the centrally sponsored schemes are designed to provide the whole power to the Central Government. To fulfil the objective of CSS to cater to specific purposes set by the Union government, the finances are tied to a predesigned budget which does not give the flexibility to the states to use the funds to carry out some other activity. (XV Finance Commission, 2020)

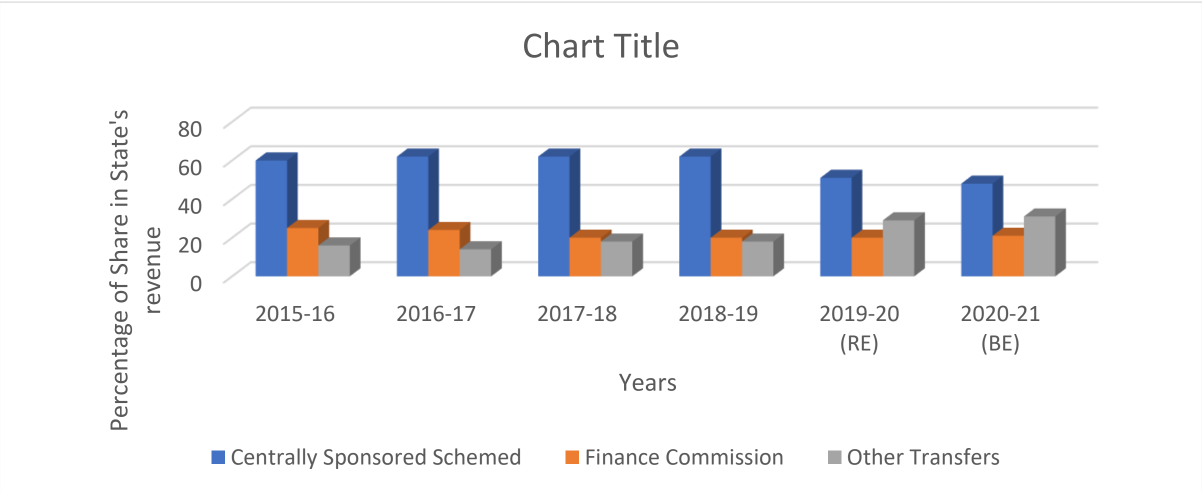
CSS are developmental transfers, i.e., transfers made to promote the social sector that fulfills the national priorities. However, it is significant to note the impact of Centrally sponsored schemes on state expenditure on social sector to check how far have the Centrally sponsored schemes achieved the desired objective.

Centrally Sponsored Schemes and Social Sector Priorities of The States

Budgets significantly indicate the government policy priorities, having been described as 'policy statements expressed in money terms. (Wagle & Shah, 2003) Budget reveals all governmental priorities. On account of huge funds allocated under the ill-conceived, ill-designed and poorly implemented Centrally Sponsored Schemes in the name of social welfare, Union budgets are increasingly becoming statements of subsidies doled out in the name of the poor and passed on the to the states as grants, without appropriate monitoring and control mechanisms. (*Bhattacharjee, 2014*)

Center and State funding ratio in Centrally Sponsored Schemes is Generally 60:40 which means that for the total amount, the Centre's share will be 60% while the states have to contribute 40% for the scheme from their own resources. The revenue source for contributing to CSS from its own resource is very significant as "own resources" vary from State to State. State receipts are classified into revenue and capital receipts, States primarily depend on their own revenue and central transfers to meet their requirements. Furthermore, the states borrow finances from Union for their expenditure, which is a part of the capital receipts. (*State of State Finances: 2018-19*) States' own revenue remains the largest source of funds in order to meet their rising expenditure.

Centrally sponsored schemes (CSS) are the major contributor to fiscal transfers from the Centre to states. Around 20% of the total transfers in the year 2021-2022 released to states were through CSS. Many concerns on fund flow and utilization have been raised because of no prescribed time limit to release the funds, the fund transfer was based on liquidity position and priorities of the state governments. (*Yadav, 2022*) Furthermore, with the recommendation of the 14th Finance Commission, there was a 10% increase in the devolution of funds, and a simultaneous decrease in the Centre's share in Centrally Sponsored Schemes. The figure below explains the decrease in the Centre's share through CSS making the State burdened to pay for Centre's scheme.



The figure shows the division of grants in aid from Centre to State over the years.
(Data Source: Avani Kapur, Sharad Pandey, Udit Ranjan, & Vastava Irava, Study of State Finances, Accountability Initiative, Centre for Policy Research, 2020)

Even though the share of Centre through CSS has reduced over the years, it forms a substantial part of the total revenue as shown in the graph below:

Even though the share of Centre through CSS has reduced over the years, it forms a substantial part of the total revenue. In recent years, despite the debate around rationalizing the CSS, there is an increase in the number of CSS and the quantum of funds flowing through these schemes. (*Kapur, Pandey, et.al, 2020*)

Therefore, it becomes pertinent to study the impact of Centrally Sponsored Schemes on social sector priorities of states. Therefore, to narrow down the research and to understand the implication of CSS on State's social sector priorities over two sectors, i.e., Health and Education, states have been identified. There are 4 sample states chosen on the basis of their per capita income. Orissa and Jharkhand are considered as low-income states and Telangana and Haryana are High Income States. The Budget document of 2022-2023 for 4 states has been analyzed. The comparative data with previous years has not been taken into account because they were not the standard years for comparison due to covid 19 pandemic.

The study suggests that in the year 2022-2023, that Orissa has allocated around 14% of its total expenditure on education and 6.5% on Health. The allocation for education is less than the average expenditure of the states (15.5%) while the allocation on the Health (5.5%) is above the average allocation by other states. (*P.R.S. Legislative Research, 2022-2023*) Above average allocation to Health can be attributed to the allocation made to the state sector schemes. The government has allocated around Rs. 5701 crores on Health State Sector Schemes and less share have been provided by the Centrally sponsored schemes on Health. Contrary to that, on School Education, Orissa has allocated less to the state sector schemes than the centrally sponsored schemes. (*Odisha Budget, 2022-2023*)

Studying the state budget of Telangana for the F.Y. 2022-2023, It was found that Telangana has allocated a mere 7.3% of total expenditure on education and 5% on Health which is below the average allocation made by the other states despite being recognized as one of the high-income states. (P.R.S., 2022-2023) Further study suggests that Telangana has allocated more to centrally sponsored schemes for school education as compared to the state sector schemes on education whereas for Health, the allocation for state sector schemes is more than the Centrally sponsored schemes. (Telangana Budget 2022-23, Finance Department, Government of Telangana)

Taking into account the budget of the year 2022-2023 for Haryana which is again considered as a high-income state, it is seen that Haryana has allocated 14.2% of total expenditure to Education (Less than the average allocation of 15.5%) while 6.2% to Health (More than the average allocation of 5.5%). (P.R.S., 2022-2023) It is also seen that Haryana has provided more allocation to state sector schemes in both education and Health. (Haryana Budget, 2022-2023) This shows that fiscally rich states are less dependent on the Centre for funds. Jharkhand even though is a low-income state has allocated 15.5% and 6.1% of total expenditure to Education and Health, respectively. (P.R.S. Budget Analysis, 2022-2023) Further analysis suggests that Jharkhand has spent more on state sector schemes than centrally sponsored schemes on both Health and Education. (Jharkhand Budget, 2022-2023)

The above study shows a wide variation in the pattern of contribution to the schemes in Health and Education across the four states. The variation can be attributed to the priority of the states however more specifically to two reasons. Firstly, there is more allocation of the funds to state schemes in health sectors as Health is a state subject. Secondly, the study shows that more allocation to Centrally sponsored schemes is made in education sector because of the legislation backed Centrally sponsored scheme i.e. Samagra Shiksha Abhiyan which fulfils the objectives enshrined under the Right to Education Act, 2009.

The study suggests that the Centrally sponsored schemes through Article 282 of the Indian Constitution does not put any restriction on the legislative power of the states to legislate or execute a law or a scheme on that particular subject matter as the states have made their won schemes and policies however it imposes various practical limitations like less flexibility with the states to use the policy to address their own needs. States are placed at a different financial position and therefore, dependent on the Union for developmental purposes. The evidences in the study suggests that despite implementation of centrally sponsored schemes, it could not attain uniformity across the states in achieving the national priorities rather it is taking away the autonomy of the states which inturn affects the social sector priorities of the states as well.

The funds transferred under Article 282 through CSS are conditional funds where the Union can regulate both public policies and finances and the state governments are acting as a subordinate administrative implementation agency of Union government. A large number of centrally sponsored schemes has not only reduced state governments' policy space but also reduced the financial resources of the State for state specific policies (*Salve, 2022*) which necessitates the reexamination of the constitutional provision and the intention with which it was framed.

Re-Examining The Constitutional Basis of Conditional Transfers Under Article 282: Reflections from Other Countries

The constitutionality of Article 282 and centrally sponsored scheme has been upheld in the case of *Bhim Singh*, however the implication of shared spending power on the fiscal autonomy and the social sector of the states urges for a reexamination of the constitutional basis of the Article 282. In the *Bhim Singh* case, the court has majorly relied on the interpretation of the word 'public purpose' and has given it a wide interpretation by stating that the provision empowers the Union to exercise their spending power which is not limited to the legislative powers conferred upon them under Schedule VII of the Indian Constitution. (Part 41 of the Judgment) Although the court declared that the power under Article 282 is for special, temporary, and ad hoc schemes, the unrestricted interpretation of the word 'public purpose' was given to fulfil the constitutional requirements. The issue with this case is not the wide interpretation of the word 'public purpose' but the effect of that unrestricted interpretation on the state autonomy.

The courts have referred to the Constitutional Provisions in the U.S.A. and Australia to substantiate the wider interpretation of 'public purpose'. In the U.S.A. Constitution, Article 1(8) states the levy and collection of taxes etc. for general welfare.

Article I, Section 8, Clause 1:

"The Congress shall have power To lay and collect Taxes, Duties, Imposts and Excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all Duties, Imposts and Excises shall be uniform throughout the United States; . . ".

However, the power to levy and spend tax on general welfare has been debated much in the U.S.A. It was argued that the laying of taxes is the power, and the general welfare the purpose for which the power is to be exercised. However, the congress cannot levy taxes for any purpose and can spend only for general welfare. On the question, what constitutes general welfare, The court in the case of *United States v. Butler* (297 U.S. 1 (1936)) clarified that the expenditure of public moneys for public purposes is not limited by the direct grants of legislative power found in the Constitution. However, even in the U.S.A., the decision was not free from divergent opinions. The divergence of opinion was not to limit the definition of general welfare but to define the scope of such grant of power to congress. The federalist aimed at strong central power while the retentionist wanted to retain state autonomy over the maximum matters.

However, soon after the Butler case, the courts have revived the State Sovereignty Federalism. In various cases (*Gregory v. Ashcroft* (510 U.S. 452 (1991), *New York v. United States* (505 U.S. 144 (1992)) the Court has emphasised on the need to carve out a zone of state autonomy which the federation cannot interfere with. The U.S. Court continued working to invoke state sovereignty to preserve a zone of state autonomy by interpreting federalism as the "high water mark" such that the federal power is not expanded to an extent to interfere within the State's domain. (*Gerken, 2014*) The 'general welfare clause is that clause which is invoked when no specific or implied grant of power can be found in the Constitution for any measure. It is the *dernier resort* of those who find no grant or implied power for their measures in the Constitution. (*Tucker, 1992*) This means that there is no requirement to limit the definition of general welfare however, the usage of the provision must be limited to rare cases and should not be made a general route of transfer of funds as it affects the state autonomy.

Further, in the *Bhim Singh* case, Section 81 of the Australian Constitution has also been referred to, which states "*All revenues or moneys raised or received by the Executive Government of the Commonwealth shall form one Consolidated Revenue Fund, to be appropriated for the purposes of the Commonwealth*." This provision in Australia is also not free from debate when it comes to the Commonwealth using the revenue for the subjects that are in the domain of the Commonwealth and not the states. The colonial Australian Constitution was drafted to reflect the U.K. conventions which was to control the appropriation of funds by the States. (*Appleby, 2009*) The provision is much criticized on the grounds of federalism, which suggests that if unlimited funding power is vested in the Federation, it will necessarily have implications on the country's federal system.

In Australia, like the U.S.A., different views of the term "purposes of commonwealth" has been taken. The narrow view was that it would be limited to the subjects given in the enumerated list. (*Pharmaceutical Benefits Case (1945) 71 CLR 237, 252*) The slightly liberal view suggests that appropriation can be made for the subjects enumerated and encompassing nationhood powers while the broadest view stated that the purposes of Commonwealth is the one which the Commonwealth decides and it is not subjected to judicial review. (*Pape v Federal Commissioner of Taxation ('Pape') (2009) 238 CLR 1*) Further, another provision states that the Commonwealth can grant on such terms and conditions as the Parliament thinks fit. (*Section 96, Commonwealth Constitution of Australia*) In the A.A.P. case, an expanding interpretation was given to section 96 of the Australian Constitution in relation to appropriation made by the Commonwealth, however, it could only be used when the appropriation was made for payment to the States and not direct expenditure of money to support projects and programs outside Commonwealth power.(*Towmy, 2014*) Again in *Attorney-General (Vic) v Commonwealth (1945) 71 CLR 237, 282,* It was reiterated that Section 96 clearly indicates that Commonwealth cannot spend money in relation to some subject areas, unless it makes grants to the States to do so. If the Commonwealth can spend on any subject without any limit under section 81, the power under section 96 will become redundant. Soon after the *Bhim Singh* case, Australian court has given a very liberal judgment on the issue. On account of federalism, Justice Heydon argued in the Pape case, that the Commonwealth's power can be limited if it gives the best effect to the construction of federalism. The court also took the view that allowing the Commonwealth to spend in the fields of the State will diminish the State's authority to work in their field. (Williams v Commonwealth ('Williams') (2012) 248 CLR 156) Post the judgement in the case, the Abbott government in Australia had to redesign the scheme and used the power under section 96 of the Commonwealth Constitution and the funds were

provided to the states and not directly used for the programme. In furtherance to the Judicial decision, the Australian government has to redesign various schemes.
Collaborative federalism between the Commonwealth and states is one of the best practices to be adopted to solve the issue of eroding state autonomy. One such example is *the National Health Reform Agreement 2020-2025*. The NHRA is a bilateral agreement between the Commonwealth and the states to improve health outcomes in Australia. The funding for health purposes is done at three levels i.e. the federal, State and local level. The federal government provides funds to the states through two major schemes, i.e., the Medicare Benefits Scheme and Pharmaceutical Benefits Scheme. States then have the responsibility to manage the service delivery by contributing their own funds in addition to the funds provided by Federal Government. Local government is responsible solely for service delivery. (*Grover, 2020*) The intergovernmental transfers are governed by COAG, represented by the Prime Minister and Chief Ministers of every State, which clearly establishes a collaborative federalist framework. The COAG discusses high priority issues and funding is made accordingly. This practice takes into consideration the state level priorities while transferring funds. Further, with regard to the problem of Human resources in rural areas, the federal government in Australia provides extra financial incentives to attract practitioners in those areas. (*Grover, 2020*)
In the Indian context, though CSS has been given a green signal by holding the power under Article 282 as unrestricted, the nature of the Indian Constitution being quasi-federal, however, it requires re-examination. The Indian Supreme Court has also highlighted the importance of federalism and saving state autonomy, (N.C.T. of Delhi v. Union of India, CIVIL APPEAL NOS. 2357 of 2017) The Court highlighted that there is a need to understand the implications of the provision and the concepts like quasi-federal are just theoretical in nature. The truth is that federalism is the basic feature of the Indian Constitution. Further highlighting the intention of the framers of the Constitution, the court stated that the intention could never be to undermine the state autonomy under the garb of quasi-federalism.
A number of committees have examined the issue with the Centrally Sponsored schemes and various steps have been taken to redesign and rationalise the CSS. However, the issue of state autonomy could not be resolved by merely reducing the number of Centrally Sponsored Schemes, but there is a need to reinterpret Article 282 not with the intention to limit the meaning of ‘public purpose’ but to limit the scope of the provision to only exceptional and special cases.

Conclusion

The doctrinal study suggests that despite constitutional provisions and the assignment of policy subjects for various tiers of government, the federal government purposefully controls the decision-making space of state governments. In the Indian Constitution, both the Central and State governments had significant decision-making rights over public policies, but in practice, the Central government overrides state policies. To resolve the issue, the following recommendations can be considered:

1. There is a need to reinterpret Article 282 of the Indian Constitution which should be used only as a last resort.
2. The term ‘public purpose’ need not be limited but the overall usage of Article 282 to be used only in exceptional circumstances
3. The funding for centrally sponsored schemes should be routed through Article 275 and not Article 282 which is not a discretionary power but based on the recommendations of the Finance Commission. The same will reduce the misuse of the provision and funds will be devolved through constitutional mode.
4. The Centrally sponsored schemes must be rationalised, not just in numbers but should be redesigned to accommodate a more collaborative approach by involving states in decision making considering the States’ priorities.
5. The funds provided through Centrally Sponsored Schemed must not be rigid and flexibility should be provided to states in using those as per their specific needs.
6. The designing of the Centrally Sponsored Schemes for subjects which fall under the State List and are different from that of the subjects falling under the concurrent list. s

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