

FINANCE COMMISSION CHIEF MAKES CASE FOR INSTITUTIONAL MECHANISM TO CHECK FISCAL DEFICIT

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NEW DELHI: Finance Commission Chairman N K Singh Thursday made a case for setting up a "[fiscal council](#)" as an institutional mechanism to monitor fiscal consolidation roadmap of the Centre and state governments.

He also said fiscal federalism is a dynamic process and 'a Work in Motion'.

Singh was speaking at the launch of the book '[Indian Fiscal Federalism](#)' written by Y V Reddy, who had served as RBI Governor as well as Finance Commission Chairman.

Referring to a suggestion in the book, Singh said he too agrees that there should be some mechanism to ensure that basic spirit of devolution process is not undercut by clever financial engineering or taking recourse to traditions that makes it technical and legally tenable but perhaps morally not so.

Emphasising that rules of the game should be same for both the Centre as well as the states with regard to borrowings, Singh said, "for state government liabilities, Article 293 (3) provides a constitutional check over borrowings. But there are no such restriction on the Centre".

"I feel that it is time we have an alternative institutional mechanism like fiscal council to enforce fiscal rules and keep a check on the centre's fiscal consolidation," he said.

Singh, who had also served as revenue secretary in the finance ministry, agreed with the suggestion in the book that the Finance Commission as envisaged in the Constitution does not prohibit its continuous functioning except that it has to be re-constituted before the tenure ends every five years.

Talking to reporters later, Singh said, "we do need mechanism for enforcement which will be equally applicable for both the Centre and the states before Finance Commission or any other can work out and lay out a coherent map of fiscal consolidation".

Recently, Reserve Bank of India Governor [Shaktikanta Das](#) too made a case for a permanent status to Finance Commission.

At the book launch event, former Deputy Chairman of erstwhile Planning Commission [Montek Singh Ahluwalia](#) underlined the need for increasing allocation of funds for the municipalities.

Former Finance Minister of Jammu and Kashmir Haseeb Drabu stressed on the need for coordination between the Finance Commission and the GST Council.

"GST Council has no clue about what the Finance Commission is doing and Finance Commission has even lesser clue of what the GST Council is doing," he said, adding there was a need for institutional mechanism to resolve differences between the central and state governments.

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