Syllabus subtopic: Appointment to various Constitutional Posts, Powers, Functions and Responsibilities of various Constitutional Bodies.

Prelims and Mains focus: about the new panel to be set up and their mandate; about FFC; CAG; FRBM act

News: The Fifteenth Finance Commission (FFC) will soon set up a panel to address issues related to fiscal policy for both the Centre and the States, and present a road map for the same.

About the new fiscal panel/committee

- It will be a broad-based panel which will address some of the issues on fiscal policy, particularly in relation to the debt and the deficit of the States as well as the Central government.

- The panel will be headed by FFC Chairman and have representation from the Comptroller and Auditor General of India, the Reserve Bank of India, the Ministry of Finance, the Fiscal Responsibility and Budget Management (FRBM) panel and some of the States.

- The principal terms of reference (ToR) of the fiscal committee will enhance the ability of the Finance Commission to address its ToR relating to giving a consolidated fiscal debt road map for the general government.

Panel on Defence & Internal security

- The Commission had also constituted a group on defence and internal security, whose mandate will be ‘to examine whether a separate mechanism for funding of defence and internal security ought to be set up, and if so, how such a mechanism could be operationalised.’

- This group will be chaired by FFC Chairman with A.N. Jha, Member, Fifteenth Finance Commission as well as Secretary, Ministry of Home Affairs, Secretary, Ministry of Defence and Secretary (Expenditure), Ministry of
Does India require a new legal framework for fiscal consolidation?

According to the FFC, there wasn’t a need for a new legal framework as the FRBM already gives a robust legal framework, except for the fact the States need to align their own FRBM with the new FRBM enacted by the Union Government with the amendments to the earlier one in 2018. Also, there is a need to ensure there is strict compliance on the issues of off-Budget borrowing, contingent liabilities, etc.