

## TERMS OF REFERENCE FOR THE NINTH FINANCE COMMISSION

SHRI CHITTA BASU (West Bengal):

Sr, with your permission I would like to draw the attention of the House to the terms of reference of the Ninth Finance Commission. You know the Government of India has appointed the Ninth Finance Commission very recently. Generally, the name of the Chairman of the Commission and the terms of reference are finalised following informal process of consulting the States. In this particular case, it is a pity that this time States have not been informed even informally before the announcement of the Finance Commission and the terms of reference.

The first part of the terms of reference which relates to the duties of the Commission under Article 280 has been worded in the same manner as in the case of the previous Commissions. But in the case of the second part, the terms of reference of the Ninth Finance Commission reflect a departure from the earlier position. I do not like to quote the terms of reference. I only quote one paragraph of it and that is the second part of the terms of reference stipulates that in making its recommendations, the Commission shall adopt a normative approach in assessing the receipts and expenditures on the revenue account of the States and the Centre and, in doing so, keep in view the special problems of each State, if any, etc. etc. It will be seen that the Government of India has, in these terms of reference, given a directive to the Commission in regard to the manner in which it has to function in making its recommendations. In cases of earlier commissions, there were no such directives. It is not necessary that the Government of India should give any guideline to the Finance Commission because this is not envisaged in the Constitution. Article 280 envisages unfettered discretion to the Commission in making its recommendation. Sr, in this case, this is a curtailment of the discretion of the Finance Commission which goes against the provisions and the spirit of Article 280. For instance, item 4(1) of the terms of reference would prevent the Commission from

adopting any approach other than the normative approach as mentioned in the terms of reference, even if the Commission feels that there could be other approaches which are advisable. The action of the Government in not implementing the award of the Eighth Finance Commission in 1984-85 is a disturbing trend. This action of the Government deprived the State Governments of their legitimate share of Central assistance. Coming on the heels of the Government's decision of 1984-85, the terms of reference of the Ninth Finance Commission as mentioned above may be construed as another attempt by the Centre to deprive the States of their legitimate share.

(The Deputy Chairman in the Chair)

The main problem before the States is the fact that their expenditures are elastic while the revenue resources are inelastic. Even the limited sources as provided in the Constitution are being constantly eroded in devious ways. It may be noted that the Sarkaria Commission is now examining the State Governments' near unanimous views regarding the need of restructuring the Centre-State financial relations. The Commission's report is being awaited. Pending such report, a departure from the earlier practices, in the framing of the terms of reference for the Ninth Finance Commission, would further strain the relation between the States and the Centre. I would only request the Finance Minister and the Government to reframe the terms of reference strictly within the framework of Article 280. Thank you, Madam.

## MESSAGE FROM THE LOK SABHA —contd.

The All-India Institute of Medical Sciences and the Post-Graduate Institute of Medical Education and Research, Chandigarh (Amendment) Bill, 1987

ADDITIONAL SECRETARY: Madam, I beg to report to the House the following message received from the Lok Sabha signed by the Secretary-General of the Lok Sabha.