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BENGALURU, April 26, 2015, DHNS

Former union minister describes 42% devolution more shock than therapy



Cautioning against the government's decision to allocate 42 per cent of the tax revenue to states as part of the 14th Finance Commission recommendations, former Union Minister and Congress MP Jairam Ramesh said the decision might create havoc in the financial structure of the Union Government.

Speaking on 'Fourteenth Finance Commission and After' at the Annual Endowment Lecture on Budgets organised by the Centre for Budget and Policy Studies here on Saturday, he said the Finance Commission's recommendations will weaken the financial stability of the centre at the cost of states.

"I foresee a situation that the recommendations of the Finance Commission will become more of a shock than a therapy to the ills of state government development initiatives. We can see an eventuality where the Union Government will reduce its spend on its welfare initiatives as it faces a situation of lack of budgetary support," he said.

Besides the implementation GST — where the states will have to be given compensation — the implementation of the new pay commission recommendation will also aggravate the financial structure of the Union Government.

He pointed out that the decision will pave the way for central initiatives in agriculture, education, healthcare and rural employment schemes to be affected in due course of time. He said the government has already abolished Backward Region Grant Fund (BRGF) of Rs 7,000 crore.

Ramesh said the recommendations are not in line with the 73rd and 74th amendments of the constitution. "The recommendation will strengthen the financial holding of state governments. How far they will distribute this money among the three tier panchayat system is to be watched. The government has already decided to reduce budgetary allocation to the Panchayati Raj Ministry from Rs 7,000 crore to Rs 98 crore," he said.

The former union minister also foresaw an eventuality where subsidies on fossil fuel, food, and fertilisers will be taken back. "The UPA government had the interventionist bias in its policies always," he said. Ramesh also said that state governments did not have the infrastructure to take advantage of financial bonanza.

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